

1 JOHN R. GARNER (246729)
2 MARIA E. MINNEY (289131)
3 GARNER LAW OFFICE
4 109 North. Marshall Avenue
5 P.O. Box 908
6 Willows, CA 95988
7 Telephone: (530) 934-3324
8 Facsimile: (530) 934-2334
9 john@garner-associates.com
10 maria@garner-associates.com

11 IVY T. NGO (249860)
12 FRANKLIN D. AZAR & ASSOCIATES, P.C.
13 14426 East Evans Avenue
14 Aurora, CO 80014
15 Telephone: (303) 757-3300
16 Facsimile: (303) 759-5203
17 ngoi@fdazar.com

18 **UNITED STATES DISTRICT COURT**
19 **EASTERN DISTRICT OF CALIFORNIA**

20 EDWARD ANDERSON, RAYMOND
21 KEITH CORUM, JESSE
22 WORTHINGTON, and COLLEEN
23 WORTHINGTON, each individually and
24 on behalf of all others similarly situated,

25 Plaintiffs,

26 v.

27 EDWARD D. JONES & CO., L.P.; THE
28 JONES FINANCIAL COMPANIES,
L.L.L.P.; EDJ HOLDING COMPANY,
INC.; JAMES D. WEDDLE; PENELOPE
PENNINGTON; DANIEL J. TIMM;
KENNETH R. CELLA, JR.; BRETT A.
CAMPBELL; KEVIN D. BASTIEN;
NORMAN L. EAKER; VINCENT J.
FERRARI; TIMOTHY J. KIRLEY;
JAMES A. TRICARICO, JR.; OLIVE
STREET INVESTMENT ADVISORS,
LLC; PASSPORT HOLDINGS, LLC;
PASSPORT RESEARCH, LTD; and
JOHN DOES 1-100,

Defendants.

No.

CLASS ACTION

COMPLAINT FOR VIOLATION OF
FEDERAL SECURITIES LAWS AND
BREACH OF FIDUCIARY DUTY

JURY TRIAL DEMANDED

1 Plaintiffs Edward Anderson, Raymond Keith Corum, Jesse Worthington and Colleen
2 Worthington, (collectively, “Plaintiffs”), by and through their counsel, allege the following against
3 Defendants Edward D. Jones & Co., L.P., The Jones Financial Companies, L.L.L.P., EDJ Holding
4 Company, Inc., James D. Weddle, Penelope (“Penny”) Pennington, Daniel J. Timm, Kenneth R.
5 Cella, Jr., Brett A. Campbell, Kevin D. Bastien, Norman L. Eaker, Vincent J. Ferrari, Timothy J.
6 Kirley, and James A. Tricarico, Jr. (collectively, “Edward Jones” or “the Company”) as well as
7 Olive Street Investment Advisors, LLC, Passport Holdings, LLC, and Passport Research, Ltd.
8 (collectively with Edward Jones, “Defendants”) based upon personal information as to those
9 allegations concerning Plaintiffs and the investigation of counsel as to all other matters, which
10 included, without limitation: (a) review and analysis of public filings made by Edward Jones and
11 other related parties and non-parties with the United States Securities and Exchange Commission
12 (“SEC”); (b) review and analysis of press releases, investor communications, reports, advisories
13 and other publications disseminated by certain of the Defendants and other related non-parties; (c)
14 review and analysis of news articles, media reports and other publicly available information
15 concerning Edward Jones and related non-parties; (d) consultation with experts; and (e) interviews
16 with persons with knowledge of the conduct complained of herein.

17 **NATURE OF THE ACTION**

18 1. This is a federal securities and breach of fiduciary duty class action based upon a
19 reverse churning scheme by Defendants to take advantage of trusting, long-standing clients and
20 unlawfully shift their commission-based accounts to a fee-based program – Edward Jones Advisory
21 Solutions (“Advisory Solutions”) or Edward Jones Guided Solutions (“Guided Solutions”) (collectively,
22 “Advisory Programs”). In orchestrating this scheme to churn revenue from essentially
23 dead assets, Edward Jones made misleading statements and material omissions to their clients,
24 including Plaintiffs, about the amount of fees they would pay after their assets were moved into
25 one of the Advisory Programs and about Edward Jones’ preference for investing in proprietary
26 funds only available through Advisory Solutions. In addition, Defendants breached their fiduciary
27 duties because clients who engaged in little to no trading activity paid more in fee-based accounts
28 than they did in commission-based accounts and clients who were invested in a proprietary fund

1 were entitled to know about Defendants’ competing interests that caused them to make self-
2 interested investments on their clients’ behalf.

3 2. Plaintiffs bring this action under Section 10(b) of the Securities Exchange Act of
4 1934 (the “1934 Act”), the Securities Act of 1933 (the “1933 Act”), and the fiduciary duty laws of
5 the states of Missouri and California on behalf of themselves and all persons (including, without
6 limitation, their beneficiaries) who had their commission-based accounts with Edward Jones moved
7 into one of the Advisory Programs between March 30, 2013 and March 30, 2018 (the “Class
8 Period”), inclusive, and who were damaged thereby (the “Class”).

9 3. Edward Jones’ business model has allowed it to have a stronghold among working-
10 class individuals in small communities across the country, like Plaintiffs, who were unsophisticated
11 investors seeking professional investment guidance from someone they could also have a personal
12 relationship with. Instead of further cementing the trust and goodwill it had fostered for decades in
13 these small communities when the Department of Labor (“DOL”) announced proposed additional
14 required disclosures for fiduciaries, Edward Jones abused that trust in compelling clients into more
15 expensive fee-based accounts in order to avoid the additional disclosures and grow its own bottom
16 line.

17 4. While Plaintiffs’ accounts suffered from Edward Jones’ unnecessary and misleading
18 fees, Defendants reaped the handsome reward of the fraud alleged herein. During the Class Period,
19 Edward Jones generated \$17.2 billion in revenue specifically from asset-based fees, helping to push
20 its earnings to record highs. And the Company’s unlawful conduct only became more aggressive
21 as the Class Period wore on, churning out an increasing amount of asset-based revenue each year.
22 As Edward Jones admitted in its Form 10-K for fiscal year ending December 31, 2017 (“2017 10-
23 K”), the Company’s 14% increase in net revenue in 2017 was driven by “a 36% increase in asset-
24 based fee revenue due to the increased investment of client assets into advisory programs.” Edward
25 Jones used this money to line the pockets of its complicit financial advisors and partners – to the
26 tune of \$272 million in bonuses to the Defendants named individually herein.

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JURISDICTION AND VENUE

5. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the 1934 Act [15 U.S.C. §78aa]; §22 of the 1933 Act [15 U.S.C. §77v] and 28 U.S.C. § 1331.

6. Venue is proper in the Eastern District of California pursuant to 28 U.S.C. 1391(b) and 15 U.S. Code § 77v(a). Defendants are licensed to do business in this District, maintain a number of branch offices in this District, and services clients who are residents of this District. Plaintiffs are residents of this District and were or are clients of Edward Jones in this District. In addition, many of the acts and conduct that constitute the violations of law complained of herein, including dissemination to the public of materially false and misleading information, occurred in and/or were issued from this District. In connection with the acts alleged herein, Defendants used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications, and the facilities of the national securities markets.

THE PARTIES

7. Plaintiff Edward Anderson is a resident of Elk Creek, California and has had assets in a commission-based account with Edward Jones since July 12, 2012. In June 2015, Anderson’s Edward Jones financial advisor invited him into her office to pitch Advisory Solutions. On July 1, 2015, Anderson executed the Advisory Solutions Fund Model Agreement and his assets with Edward Jones were subsequently moved into Advisory Solutions. While Anderson was in Advisory Solutions, Edward Jones invested at least \$61,216.60 of his assets into Bridge Builder mutual funds (“Bridge Builder”) – which was approximately 60% of his total assets. During the time Anderson was in Advisory Solutions, he paid over \$6,000 in fees.

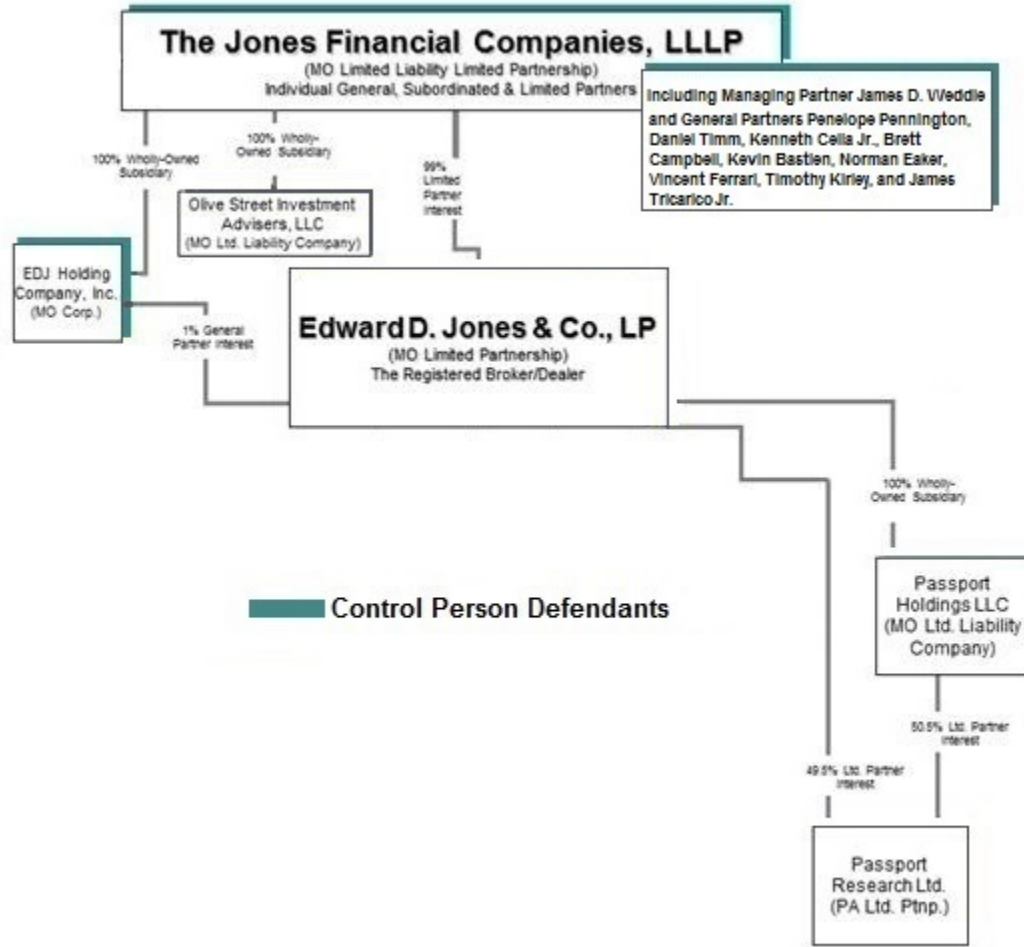
8. Plaintiff Raymond Keith Corum is a resident of Willows, California and had assets in a commission-based account with Edward Jones until early 2015. At that time, Corum’s Edward Jones financial advisor invited him into her office to pitch Advisory Solutions and afterwards moved his assets into Advisory Solutions despite his instruction to her to keep his account as it was. While Corum was in Advisory Solutions, Edward Jones invested at least \$22,065.09 or 32% of his

1 assets into Bridge Builder. During the time Corum was in Advisory Solutions, he paid over \$671 a
2 year in fees.

3 9. Plaintiffs Jesse and Colleen Worthington are residents of Willows, California and
4 had assets in commission-based accounts with Edward Jones. In early 2014, their Edward Jones
5 financial advisor invited them into her office to pitch Advisory Solutions. Edward Jones
6 subsequently moved Jesse Worthington's assets into Advisory Solutions. In early 2015 Edward
7 Jones moved Colleen Worthington's assets into Advisory Solutions, investing at least \$53,261.02
8 or 38% of her assets in Bridge Builder. In 2016, Edward Jones moved Jesse Worthington's Living
9 Trust into Guided Solutions, investing at least \$4,500 of his assets in the Edward Jones Money
10 Market Fund, and over \$38,000 of his assets into Edward Jones preferred partners' mutual funds,
11 with whom Edward Jones had a revenue sharing relationship. Jesse Worthington paid over \$792 in
12 fees on his Guided Solutions account in 2016, and over \$3,350 in fees during the time he was in
13 Advisory Solutions. During the time Colleen Worthington was in Advisory Solutions, she paid over
14 \$2,130 in fees.

15 10. Defendants consist of multiple, interconnected entities who worked in concert to
16 orchestrate the reverse churning scheme alleged herein to generate billions in revenue for
17 themselves by coercing Plaintiffs and the other members of the Class to move their commission-
18 based accounts with Edward Jones to an Advisory Program. The following chart summarizes
19 Defendants' incestuous relationships:
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11. Defendant Edward D. Jones & Co, L.P. (“Edward D. Jones”), a Missouri Limited Partnership headquartered in St. Louis, Missouri, is dually registered as a broker-dealer and as an investment advisor under federal and state securities laws. Edward D. Jones provides brokerage and related financial services to individuals and small businesses and is the principal operating subsidiary of the Jones Financial Companies, L.L.L.P. (“Jones Financial”).

12. Defendant Jones Financial, headquartered in Des Peres Missouri, is the sole limited partner of Edward D. Jones and directly and indirectly owns 100% of the capital in Edward D. Jones and its wholly-owned subsidiaries.

13. Defendant EDJ Holding Company, Inc. (“EDJ Holding”), incorporated in Missouri, is the sole general partner of Edward D. Jones and a wholly-owned subsidiary of Jones Financial.

1 14. Defendant Olive Street Investment Advisers, LLC (“Olive Street”), a 100% wholly-
2 owned subsidiary of Jones Financial and a Missouri limited liability company, was established in
3 2012 and continues to be the investment adviser to the sub-advised funds in the Bridge Builder
4 Trust which were designed solely for Advisory Solutions. Throughout the Class Period, Olive
5 Street had primary responsibility for the allocation of funds, setting the mutual funds’ overall
6 investment strategies, and the selection and management of subadvisors, as well as supervisory
7 responsibility for the general management of the Bridge Builder Trust, subject to review and
8 approval by its board of trustees.

9 15. Defendant Passport Research, Ltd. (“Passport”), incorporated in Pennsylvania, has
10 historically been the investment adviser to Edward Jones’ two money market funds, one of which
11 was no longer offered as of August 2016. Passport’s revenue is primarily based on the value of
12 client assets in the funds. Edward D. Jones is a 49.5% limited partner in Passport while Passport
13 Holdings, LLC (“Passport Holdings”) is a 50.5% limited partner in Passport.

14 16. Defendant Passport Holdings, incorporated in Missouri, is a 50.5% limited partner
15 in Passport and a 100% wholly-owned subsidiary of Edward D. Jones.

16 17. Defendant James D. Weddle became the Managing Partner of Jones Financial on
17 January 1, 2006 and continued to serve as the Managing Partner throughout the Class Period.
18 During that time, he received more than \$63.2 million in compensation that was derived from the
19 misconduct alleged herein. Weddle’s primary responsibilities as Managing Partner under the terms
20 of the Partnership Agreement were to administer the Partnership’s business, determine its policies,
21 and control the management and conduct of the Partnership’s business. Weddle himself appointed
22 all of the members of the Executive Committee during the Class Period.

23 18. Defendant Penelope (“Penny”) Pennington became a general partner of Edward
24 Jones in 2006 and has served as the head of the Client Strategies Group since September 2014.
25 Prior to her role in the Client Strategies Group, Pennington was responsible for the New Financial
26 Advisor Training Department. Her duties encompass all of the Company’s advice and guidance,
27 products and services, marketing, and branch support related to clients’ financial goals. She has
28 served on the Executive Committee continuously since July 7, 2014.

1 19. Defendant Daniel J. Timm became a general partner of Edward Jones in 1998 and
2 assumed shared responsibility for the Branch Development division in July 2014, holding that
3 position for the remainder of the Class Period. His duties encompass Financial Advisor Talent
4 Acquisition, Branch Office Administrator Talent Acquisition and Performance, Branch Training,
5 Branch Administration, Branch Insights, Learning and Support, and Branch and Region
6 Development. Prior to July 2014, Timm was responsible for various departments including
7 Financial Advisor Training, Financial Advisor Development, and Branch Administration. He
8 served on the Executive Committee for the duration of the Class Period.

9 20. Defendant Kenneth R. Cella, Jr. became a general partner of Edward Jones in 2002
10 and assumed shared responsibility for the Branch Development division in July 2014. He held that
11 position and an accompanying seat on the executive committee for the remainder of the Class
12 Period. His duties encompass Financial Advisor Talent Acquisition, Branch Office Administrator
13 Talent Acquisition and Performance, Branch Training, Branch Administration, Branch Insights,
14 Learning and Support, and Branch and Region Development. Prior to July 2014, Cella was
15 responsible for various areas of the Client Strategies Group (including mutual funds, insurance,
16 banking, and advisory areas) and for the Branch Training department.

17 21. Defendant Brett A. Campbell was named a general partner of Edward Jones in 1993
18 and served as head of the Client Strategies Group until Defendant Pennington assumed the role in
19 September 2014. As head of the Client Strategies Group, his responsibilities encompassed all of
20 the Company's advice and guidance, products and services, marketing, and branch support related
21 to clients' financial goals. Campbell served on the Executive Committee from the start of the Class
22 Period until he retired from Edward Jones effective December 31, 2014.

23 22. Defendant Kevin D. Bastien became a general partner of Edward Jones in 1998 and
24 has served as Chief Financial Officer ("CFO") since January 2009. He held these positions and
25 served on the Executive Committee for the duration of the Class Period.

26 23. Norman L. Eaker became a general partner of Edward Jones in 1984 and served as
27 the Chief Administrative Office from 2008 to his retirement effective December 31, 2016. He
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1 served on the Executive Committee from the start of the Class Period until his retirement from the
2 Company.

3 24. Defendant Vincent J. Ferrari became a general partner of Edward Jones in 2004. He
4 has served as the Chief Information Officer since 2007 and as a member of the Executive
5 Committee since January 1, 2017, following the retirement of Norman L. Eaker.

6 25. Defendant Timothy J. Kirley became a general partner in 1994 and served as the
7 Chief Strategy Officer from 2010 until he assumed responsibility for Canada operations in
8 September 2015. He was appointed to the Executive Committee in 2016, on which he has served
9 since.

10 26. Defendant James A. Tricarico, Jr. became a general partner and the general counsel
11 of Edward Jones in 2006. He is now the Chief Legal Officer and has served on the Executive
12 Committee for the duration of the Class Period.

13 27. Defendants Weddle, Pennington, Timm, Cella, Campbell, Bastien, Eaker, Ferrari,
14 Kirley, and Tricarico are collectively referred to herein as the “Individual Defendants.” The 2017
15 10-K confirms that as members of Edward Jones’ Executive Committee, as well as in their
16 individual roles as principals of Edward Jones, the Individual Defendants were tasked with
17 providing “counsel and advice to the Managing Partner in discharging his functions,
18 including...helping to establish the strategic direction of the Partnership.” As such, they played a
19 decisive role in the implementation of the alleged scheme.

20 28. Defendants John Doe 1-100. The true names and capacities of Defendants sued
21 herein as John Does 1 through 100 are other active participants with the above-named participants
22 whose identities have yet to be ascertained.

23 29. Defendants Jones Financial, EDJ Holding, and the Individual Defendants are
24 collectively referred to herein as the “Control Person Defendants.” By virtue of their ownership of
25 and operational control over Edward D. Jones, the Control Person Defendants exercised control
26 over Edward D. Jones’ general operations and possessed the power to determine the specific acts
27 or omissions upon which Edward Jones’ violations of the federal securities laws are predicated.
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BACKGROUND AND SUMMARY OF THE ACTION

The Original Edward Jones Business Model

30. From its inception in 1922, Edward Jones has been known, and has marketed itself, as an investment firm that offers individually tailored solutions for investors who want to have a personal relationship with the person investing their money. Edward Jones prides itself on its “knock-on-the-door” approach to offering financial services to mainly middle-income individuals in small communities. To succeed in its goal of individually tailored investment advice, Edward Jones has historically focused on offering commission-based accounts.

31. In addition, Edward Jones has become known for its model of staffing one financial adviser per branch office. An Edward Jones office usually only has one other associate, a branch office administrator.

32. While Edward Jones’ one-broker-per-office model has allowed clients to choose their broker directly and deal with just that broker, it has also allowed Edward Jones to open offices in less-populated areas and towns where a large office staffed by many brokers would be unprofitable – and hence financially unsustainable – for other brokerage firms. This model has contributed to Edward Jones obtaining a stronghold in small communities, and to it currently having the largest number of branch offices among brokerage firms in the United States.

33. Edward Jones’ commission-based model benefited investors by offering them free counsel and guidance, unless there was a transaction. This model was particularly beneficial for middle-income individuals in small communities who generally engaged in very little trading.

Edward Jones’ Reverse Churning Scheme to Generate Revenue

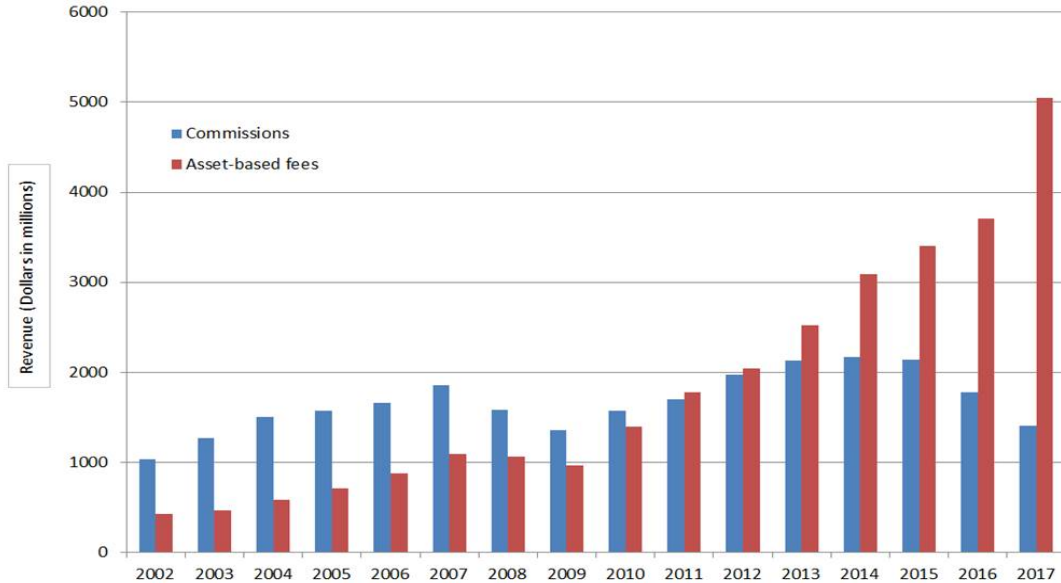
34. Then, after 86 years, Edward Jones shifted gears in 2008 and introduced a fee-based platform – Advisory Solutions. Unlike Edward Jones’ long-established commission-based model charging a commission per transaction, the fee-based accounts in Advisory Solutions charged an annual expense fee. The standard fee was 1.35% to 1.50% of a client’s assets, plus an administrative fee of nine basis points. But this standard fee could reach as high as 2% when including underlying fund expenses, and in addition, the managers who sub-advised the Advisory Solutions funds

1 charged a fee of 60 to 70 basis points. In comparison, mass-market firms like Vanguard and robo-
2 advisers like Betterment charge asset management fees between 0.15 percent and 0.3 percent.

3 35. In 2013, Edward Jones moved further away from its established business model and
4 expanded its Advisory Solutions platform by creating its first proprietary product, Bridge Builder,
5 which was only available to its clients in Advisory Solutions. The move baffled industry insiders
6 as it directly opposed Edward Jones' long-stated policy not to sell proprietary products. Indeed, in
7 a page from Edward Jones' website titled "Edward Jones vs. the Competition" from as recently as
8 August 13, 2013, the Company explicitly stated: "Edward Jones offers no proprietary products."

9 36. As depicted below, the amount of revenue Edward Jones generated from asset-based
10 fees increased by approximately \$500M from 2012 to 2013 with the addition of Bridge Builder to
11 its Advisory Solutions platform, and that revenue has continued to grow by hundreds of millions
12 of dollars every year since. In comparison, the amount of revenue Edward Jones generated from
13 commissions only modestly increased in 2012, was essentially flat from 2013 to 2015, and has
14 substantially decreased from 2015 through the present as it has aggressively pushed its clients out
15 of commission-based accounts into an Advisory Program.

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37. As Edward Jones was building up its fee-based revenue through Advisory Solutions, the DOL on April 14, 2015 released a proposed rule that would expand the number of persons who were subject to fiduciary best interest standards when they provided investment advice (the “DOL Fiduciary Rule”). Since these fiduciary best standards would apply to advisors who received commissions, this proposed rule further motivated Edward Jones to shift clients’ commission-based accounts to Advisory Solutions.

38. The DOL Fiduciary Rule sought to mitigate the effect of conflicts of interest in the investment marketplace through proposed exemptions that would only allow advisers to continue to receive fees that could create conflicts of interest if certain conditions were met. Advisers who made investment recommendations to individual plan participants, IRA investors, and small plans could obtain a “best interest contract exemption” only if they and their firms formally acknowledged their fiduciary status and entered into a contract with their customers committing to fundamental standards of impartial conduct – including giving advice that was in the customer’s best interest and making truthful statements about their compensation and the investments they were making for the customer.

39. If fiduciary advisers and their firms entered into and complied with such a contract, clearly explained investment fees and costs, had appropriate policies and procedures to mitigate the

1 harmful effects of conflicts of interest, and retained certain data on their performance, they could
2 receive fees that fiduciary advisers could not otherwise legally receive – including commissions,
3 revenue sharing, and 12b-1 fees. If the advisers did not do so, they generally had to refrain from
4 recommending investments for which they receive conflicted compensation, unless the fees fell
5 under the scope of another exemption.

6 40. According to the 2015 Edward Jones Revenue Sharing Disclosure, Edward Jones
7 received nearly \$200 million that year from mutual fund companies and insurers as part of
8 agreements to promote products to their clients. While permitted under the current rules,
9 promotional payments to financial advisers such as these ones that Edward Jones received could
10 face court challenges under the new federal fiduciary rule because they were precisely the intended
11 target of the DOL Fiduciary Rule. To continue to receive these promotional payments, Edward
12 Jones would have needed to comply with the “best interest contract exemption” by formally
13 acknowledging its fiduciary status and entering into a contract with its customers committing to
14 fundamental standards of impartial conduct.

15 41. Due to the disclosure requirements that would be imposed on Edward Jones if it
16 continued to offer commission-based accounts after the DOL Fiduciary Rule was implemented, the
17 Company began to pivot its business strongly towards fee-based accounts by pushing its customers
18 from commission-based accounts into Advisory Solutions accounts – regardless of whether the
19 switch would be in the customer’s best interest.

20 42. Among the victims of Edward Jones’ scheme were Plaintiffs Anderson, Corum, and
21 the Worthingtons, who all had their assets switched from commission-based accounts to an
22 Advisory Program in 2014 through 2016.

23 43. Yet Edward Jones simultaneously marketed itself to Plaintiffs and other clients – as
24 it had been doing for decades and building goodwill as a result – as providing advice in the best
25 interest of small-town clients due to the Company’s focus on personal relationships. Indeed, in a
26 September 2015 interview with Investment News, John Rahal, a principal in charge of recruiting
27 and talent acquisition at Edward Jones, reaffirmed the Company’s “one advisor per branch”
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1 formula, stating “[t]hat’s the way you deeply serve clients. You deeply serve clients by having a
2 meaningful relationship with an appropriate amount of families that you focus on.”

3 44. While Edward Jones was adjusting its business for when the DOL Fiduciary Rule
4 took effect, it was also trying to dissuade the DOL from implementing the proposed rule. For
5 example, in a July 21, 2015 comment letter to the DOL regarding the DOL Fiduciary Rule, Edward
6 Jones disingenuously stated that “[t]he impact of the Proposed Rule will fall disproportionately on
7 lower and moderate-income investors who stand likely to lose access to affordable guidance and
8 assistance that is crucial if they are to meet their retirement savings needs.” In truth, the DOL
9 Fiduciary Rule would protect the lower and moderate-income investors as long as they were in the
10 commission-based accounts away from which Edward Jones was moving because the DOL
11 Fiduciary Rule held advisors to a higher standard of care.

12 45. As it became clear that the new DOL Fiduciary Rule would be imposed and with
13 little change to the originally proposed language, Edward Jones began putting even more pressure
14 on its advisors to switch their clients into Advisory Solutions. A former general partner with
15 Edward Jones confirmed in an International Business Times article dated April 5, 2016 that the
16 Company was “putting heavy pressure on their advisers to sell their Advisory Solutions platform.”

17 46. In an attempt to persuade more of its clients to switch to a fee-based platform,
18 Edward Jones launched a second fee-based advisory service – Guided Solutions – in the second
19 quarter of 2016. Like Advisory Solutions, Guided Solutions charged a standard fee of 1.35% to
20 1.50% of a client’s assets which could reach as high as 2% when including underlying fund
21 expenses. Unlike Advisory Solutions, Guided Solutions was marketed as a client-directed advisory
22 program where advisors worked with clients to build a portfolio. Clients retained control over
23 investment decisions, but advisors helped guide them through a required process of identifying
24 their financial goals and selecting an appropriate portfolio objective.

25 47. Edward Jones employed the same tactics in coercing existing clients to move their
26 assets from commission-based accounts to Guided Solution, which substantially increased the
27 amount of assets managed in the Advisory Programs. As admitted by Edward Jones in its Form
28 10-K for fiscal year ending December 31, 2016, filed on March 15, 2017 (“2016 Form 10-K”):

1 “The launch of Guided Solutions in the second quarter of 2016 contributed to the increase in the
2 average advisory programs’ assets under care, the majority of which came from existing client
3 assets.”

4 48. Guided Solutions allowed clients to choose from an extensive list of “Eligible
5 Investments” which were pre-selected by Edward Jones. Edward Jones had a financial incentive
6 to include certain funds as “Eligible Investments” because it directly benefitted from the mutual
7 fund families owned by Edward Jones as well as the mutual fund families from which Edward
8 Jones received compensation under revenue-sharing agreements. In addition, Edward Jones
9 retained the option to automatically invest Guided Solutions client funds not yet specifically
10 invested by the client into one of its proprietary funds, the Edward Jones Money Market Fund, from
11 which it received additional asset-based fee revenue. These financial benefits to Edward Jones
12 were not fully disclosed to clients.

13 49. On April 6, 2016, the DOL issued the final version of the DOL Fiduciary Rule. Just
14 days later, on April 8, 2016, Defendant Weddle said that the Company hoped to have 20,000
15 brokers spread across its franchises of mostly one-broker offices by 2022. The caveat, as Edward
16 Jones indicated that summer, was that advisers would not be able to sell mutual funds on
17 commission after the DOL Fiduciary Rule took effect.

18 50. Edward Jones formally disclosed its plan to respond to the DOL Fiduciary Rule on
19 August 17, 2016. Edward Jones’ clients with more than \$100,000 invested could keep paying
20 commissions for each trade of stocks and bonds and the purchase of variable annuities, or they
21 could go commission-free and pay a level fee based on their account size. Clients with less than
22 \$100,000 would be put into fee-based accounts and the Company would stop accepting accounts
23 of less than \$5,000. The commission-based accounts that existed before April 2016 that would be
24 grandfathered could continue as such so long as no new money was placed into the account.

25 51. Although Edward Jones’ plan was not in the best interest of its clients, the Company
26 was able to misleadingly blame it on the DOL Fiduciary Rule. Defendant Weddle even commented
27 to the Wall Street Journal that same day that the DOL Fiduciary Rule would negatively affect the
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1 Company's revenue. Edward Jones had already begun shifting to a fee-based model in 2008, but
2 it was able to more aggressively do so in 2016 under the guise of the DOL Fiduciary Rule

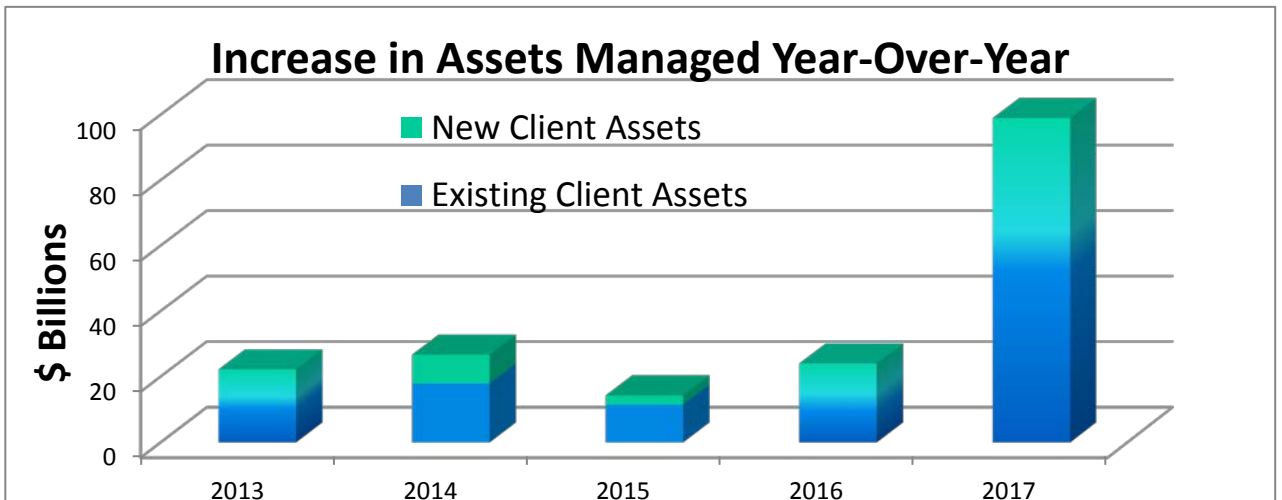
3 52. Later that month, on August 28, 2016, Edward Jones said that it would stop offering
4 clients mutual funds (and ETFs) for commission-based retirement accounts. Investors in those
5 accounts would either have to make do with the hodgepodge of available stocks, bonds, variable
6 annuities and certificates of deposit, or move to a managed account that charged an asset-based fee
7 under Advisory Solutions. A Bloomberg article titled "Edward Jones Really Likes Those Fees"
8 was published on the same day which noted, in discussing Edward Jones' response to the DOL
9 Fiduciary Rule, that "Edward Jones must know that the average investor's account is too small to
10 properly diversify one stock and bond at a time. Taking away mutual funds and ETFs from
11 commission-based accounts, therefore, all but forces those investors into asset-based fee accounts,
12 which will mean higher costs for many of the firm's investors."

13 53. In its quarterly financial disclosure on November 10, 2016, Edward Jones continued
14 to cloak its reverse churning scheme under the guise of the impending DOL Fiduciary Rule, which
15 it claimed could "materially" hurt its results. Rather than simply providing its clients with the higher
16 standard of care that the DOL Fiduciary Rule would require, Edward Jones declared that
17 "[i]mplementation of the rule will require changes in the manner in which the Partnership serves
18 clients with retirement accounts, which is a substantial portion of the Partnership's business," and
19 that "[t]he Partnership plans to offer fee-based solutions to retirement accounts and also intends to
20 offer the so-called Best Interest Contract Exemption with limited transaction-based product
21 offerings to retirement accounts meeting certain account minimums." Edward Jones added that
22 "[a]s the Partnership implements the rule, to the extent clients choose a higher percentage of fee-
23 based solutions than historical practices or with not all products and services traditionally provided
24 available in the future for transaction-based retirement accounts, the Partnership likely will
25 experience a decrease in transaction-based revenue, net revenue, net income before allocations to
26 partners and liquidity, which could be significant."

27 54. In order to continue to grow its bottom line, which had flattened before it had begun
28 moving to a fee-based model, Edward Jones clearly intended to – and did – compel clients into a

1 fee-based Advisory Program, regardless of whether such a move was suitable for – and served the
 2 best interests of – the clients.

3 55. As a result, Edward Jones substantially increased the client assets managed in its
 4 Advisory Programs every year since the introduction of Bridge Builder in 2013. The assets under
 5 the Advisory Programs’ care have nearly tripled from \$101 billion in 2013 to \$265 billion in 2017.
 6 Only by taking advantage of trusting clients who it was pushing into these more usurious fee-based
 7 arrangements – even disclosing in its Forms 10-K for fiscal years ending December 31, 2014, 2015,
 8 2016, and 2017 that the annual increases were primarily driven by the relocation of client assets
 9 from commission-based accounts – was Edward Jones able to tout rapid growth within this segment
 10 of its business:



19 56. The above graph demonstrates how Edward Jones funneled existing client assets
 20 into Advisory Programs from commission-based accounts. The blue portions of the graphs show
 21 how the majority of the increase in assets managed by Advisory Solutions came from existing
 22 accounts, while the smaller green portions reflect the relative paucity of new clients Edward Jones
 23 was able to bamboozle into the same arrangement. The blurred blue-green portions for 2013, 2016,
 24 and 2017 reflect the Company’s general disclosure that the majority of the asset increase came from
 25 existing clients. In 2014 and 2015, the years for which the Company provided specific numerical
 26 data, Edward Jones preyed on the assets of existing clients versus new clients at high rates of 2:1
 27 and 4:1, respectively.
 28

1 57. And while Edward Jones’ clients lost their hard-earned savings to these fees, its
2 advisors, who executed the scheme alleged herein, were rewarded with handsome pay increases.
3 As, Edward Jones touted in its Form 10-K for fiscal year ended December 31, 2014, filed on March
4 27, 2015, “Financial advisor compensation increased 9% (\$178 million) in 2014 primarily due to
5 increases in asset-based fee and trade revenues on which financial advisor commissions are based.”
6 Not only did Edward Jones improperly incentivize its advisors to violate their fiduciary duties and
7 rack up fee revenue for the Company through its commission program, but is also terminated, gave
8 smaller raises and bonuses to, and/or failed to promote advisors who disagreed with the Company’s
9 strategy and kept their clients in commission-based accounts.

10 **The Prohibition Against Reverse Churning**

11 58. Reverse churning is the practice of a financial advisor placing a client’s funds into
12 a fee-based account for no reason other than to collect the fee. These fee-based accounts require
13 the client to pay a regular, fixed fee to the advisor, but the client often receives very little actual
14 advice, trading, or account activity in exchange. Therefore, the advisory firm generates more
15 revenue at the expense of the client who does not receive any recognizable benefit. Because
16 Edward Jones was compelling clients who typically had little to no trades to move from their
17 commission-based accounts to a fee-based Advisory Program, it was reverse churning.

18 59. Reverse churning has been found to violate the federal securities laws. On July 7,
19 2003, in *Geman v. SEC*, 334 F.3d 1183 (10th Cir. 2003), the Tenth Circuit held that in shifting
20 client assets from a commission-based structure to a fee-based structure, a firm must act as a
21 fiduciary and justify the annual fee. In other words, if a firm wants to move a client from a
22 commission-based account into a fee-based account, it must be able to justify the move as
23 economical. The Court thereby upheld a SEC disciplinary order targeting reverse churning, holding
24 that placing customers in fee-based accounts when commission-based accounts were more
25 appropriate establishes a violation of the 1934 Act, including 15 U.S.C. § 78j, and Rule 10b-5
26 thereunder.

1 60. The National Associations of Securities Dealers (“NASD”), the predecessor to
2 Financial Industry Regulatory Authority (“FINRA”), has specifically warned financial advisors
3 against reverse churning. In a November 2003 Notice to Members, NASD stated that:

4 Fee-based programs typically charge a customer a fixed fee or percentage of assets
5 under management in lieu of transaction-based commissions. While NASD
6 recognizes the benefits these programs offer for many customers, they are not
7 appropriate in all circumstances. NASD therefore reminds members that they must
8 have reasonable grounds for believing that a fee-based program is appropriate for a
9 particular customer, taking into account the services provided, cost, and customer
10 preferences.

11 61. FINRA formally adopted a rule to regulate against reverse churning on July 9, 2012.
12 This rule, Rule 2111 – Suitability, created a duty to ensure that fee-based accounts are only
13 recommended to those clients for whom they are suitable, as such accounts tend to be more
14 expensive for clients who engage in little to no trading activity.

15 62. The SEC has also had reverse churning on its radar. In a October 22, 2013 speech
16 focusing on significant compliance issues identified in the financial industry, SEC Chair Mary Jo
17 White declared that a Risk Analysis Examination had identified “problematic behavior” which
18 included “inadequate supervision of reverse churning, a practice where a client who trades
19 infrequently is placed in a fee-based account.”

20 63. Andrew J. Bowden, Director, SEC Office of Compliance Inspections and
21 Examinations, reiterated the dangers of fee-based accounts and reverse churning in a speech on
22 March 6, 2014. He specifically stated: “Suffice it to say the move into fee-based wrap accounts is
23 a widespread practice. A lot of people have jumped into the pool. We fear that the rationalization
24 that ‘everyone is doing it’ may be adversely affecting peoples’ thinking about how some of these
25 arrangements are in the best interest of their clients.”

26 64. Then, in its January 2015 annual priority list for examinations, the SEC Office of
27 Compliance Inspections and Examinations, under the subheading of “Protecting Retail Investors
28 and Investors Saving for Retirement” listed “Fee Selection and Reverse Churning” as an area for
29 examination, providing:

30 Financial professionals serving retail investors are increasingly choosing to operate
31 as an investment adviser or as a dually registered investment adviser/broker-dealer,
32 rather than solely as a broker-dealer. Unlike broker-dealers, which typically charge

1 investors a commission or mark-up on purchases and sales of securities, investment
2 advisers employ a variety of fee structures for the services offered to clients,
3 including fees based on assets under management, hourly fees, performance-based
4 fees, wrap fees, and unified fees. Where an adviser offers a variety of fee
5 arrangements, we will focus on recommendations of account types and whether they
6 are in the best interest of the client at the inception of the arrangement and thereafter,
7 including fees charged, services provided, and disclosures made about such
8 relationships.

9 65. Although the DOL Fiduciary Rule imposed stricter requirements governing
10 disclosures and fiduciary status on commission-based accounts, the practice of reverse churning is
11 still prohibited.

12 **Edward Jones' Preference for Proprietary Funds and Funds With Which It Had a**
13 **Revenue Sharing Relationship**

14 66. Edward Jones launched its first proprietary product, Bridge Builder, in 2013 with
15 one core fund and then in 2015, added two other fixed-income funds and five equity funds. The
16 Bridge Builder family was, and is, exclusively available through Advisory Solutions. During the
17 Class Period, the Bridge Builder family included, but is not limited to, Bridge Builder Core Bond,
18 Bridge Builder Core Plus Bond, Bridge Builder INTL Equity, Bridge Builder Large Growth, Bridge
19 Builder Large Value, and Bridge Builder Smallmid Growth.

20 67. Bridge Builder was, and is, managed by Olive Street, a wholly owned subsidiary of
21 Edward Jones.

22 68. Clients who invested in Bridge Builder not only paid the standard fee for Advisory
23 Solutions, which was 1.35% to 1.50% of the client's assets, but they also paid underlying expenses
24 for the Bridge Builder fund(s) they were in. Thus, the standard fee reached as high as 2% if clients
25 were invested in Bridge Builder. In addition, Advisory Solutions charged an administrative fee of
26 nine basis points and the managers who sub-advised Bridge Builder charged a fee of 60 to 70 basis
27 points. To top it off, Olive Street charged a fee based on the percentage of client assets under
28 management.

69. Because Olive Street is a wholly owned subsidiary of Edward Jones, Defendants
directly financially benefitted from funneling clients into Bridge Builder.

70. According to fund tracker Morningstar Inc., Edward Jones saw \$15.6 billion of net
flows into Bridge Builder in 2015 – the fourth-largest in the industry that year. The amount of

1 inflows into Bridge Builder was higher than “household name” funds such as BlackRock Inc.,
2 Fidelity Investments and American Funds.

3 71. Since Bridge Builder was a relatively new family of mutual funds, investment
4 insiders were baffled by its success. Particularly because in 2015, a majority of the Bridge Builder
5 family was not even in existence for the full year.

6 72. What investment insiders did not know was that Edward Jones was pushing existing
7 clients into Advisory Solutions and then inappropriately investing a substantial amount of their
8 assets into Bridge Builder. At the same time, what those clients – including Plaintiffs – did not
9 know was that Edward Jones had competing interests based on the additional fees it would receive
10 that were causing its advisors to make the self-interested investment decision of investing client
11 assets in Bridge Builder.

12 73. All that was disclosed was that “[a]sset-based fee revenue also increased in 2016
13 due to an increase in Olive Street fees” in Edward Jones’ 2016 Form 10-K. Thus Defendants
14 received an extra financial boost by investing clients’ assets in Bridge Builder – on top of the asset-
15 based fees they received from clients after moving their accounts into Advisory Solutions.

16 74. In addition to omitting material facts regarding Bridge Builder, Edward Jones failed
17 to disclose to Advisory Solutions clients its self-interested preference in investing their assets in
18 the Company’s mutual funds. Edward Jones had a practice of increasingly investing assets of
19 Advisory Solutions clients not already in Bridge Builder in mutual fund companies with whom it
20 had a revenue sharing relationship. For example, Edward Jones invested at least \$6,900 of Plaintiff
21 Colleen Worthington’s assets into a mutual fund offered by American Funds Distributors, Inc.
22 (“American”). American is an Edward Jones preferred partner, and Edward Jones received \$55
23 million in 2015 alone from American as part of its revenue sharing agreement. Edward Jones’
24 advisors failed to meaningfully disclose to clients who were moved into Advisory Solutions the
25 conflicts of interest inherent in its preference to favor preferred partners’ mutual funds.

26 75. Not until April 10, 2017 did Edward Jones provide disclosures about Bridge Builder
27 in its Advisory Solutions brochures.

28

1 76. Edward Jones’ advisors also failed to disclose conflicts of interest to clients who
2 were moved into Guided Solutions as they were providing self-interested investment advice. For
3 example, of the mutual fund companies with whom Edward Jones had a revenue sharing
4 relationship, it received significant asset fee revenue from preferred partner Invesco Distributors,
5 Inc. (“Invesco”) and thus had a conflict of interest when telling clients to invest in mutual funds
6 offered through Invesco. However, clients in Guided Solutions relied on such investment advice,
7 including Plaintiff Jesse Worthington who had at least \$24,000 invested in Invesco mutual funds
8 in 2016, without knowing that Edward Jones’ preference for Invesco was based on a revenue
9 sharing agreement. In 2016 alone, Edward Jones received \$23.9 million from Invesco as part of its
10 revenue sharing agreement.

11 77. Plaintiff Jesse Worthington also had at least \$14,000 invested in mutual funds
12 through Franklin Templeton Distributors, Inc. (“Franklin”), another Edward Jones preferred
13 partner, and was similarly unaware that Edward Jones’ preference for Franklin was based on a
14 revenue sharing agreement. In 2016 alone, Edward Jones received \$31.1 million from Franklin as
15 part of its revenue sharing agreement.

16 78. Not only did Edward Jones generate more revenue by moving commission-based
17 clients into a fee-based Advisory Program, doing so also allowed it to circumvent the disclosure
18 requirements of the DOL Fiduciary Rule because then it would not have had to disclose the
19 promotional payments it received when clients invested in mutual funds.

20 **DEFENDANTS’ MISSTATEMENTS AND MATERIAL OMISSIONS**

21 79. During the Class Period, Edward Jones’ financial advisors invited clients with
22 commission-based accounts, including Plaintiffs, into their respective branch offices to introduce
23 them to an Advisory Program. In touting the benefits of these fee-based programs during the
24 subsequent in-person meeting, the advisors failed to inform Plaintiffs that they would pay
25 significantly more in fees if they moved their existing assets with Edward Jones into an Advisory
26 Program. The advisors further failed to inform Plaintiffs that they would pay significantly more in
27 fees if Edward Jones invested their assets in Bridge Builder.
28

1 80. Regardless of whether Plaintiffs verbally agreed to move their assets into a fee-based
2 program during the meeting, the advisors then ushered them to the other room of the office where
3 the branch office administrator had agreements ready for Plaintiffs to sign. After developing a
4 personal relationship with their advisor – and Edward Jones by association – over the course of
5 regular in-person meetings over several years, Plaintiffs often simply signed any papers that the
6 branch office administrator placed in front of them on their way out without question. Either the
7 same was true during the meeting in which Plaintiffs and the other Class members signed the Fund
8 Model Client Agreement for Advisory Solutions (“Agreement”), or Plaintiffs and other Class
9 members signed the Agreement without full knowledge of adverse material facts about Advisory
10 Solutions.

11 81. Furthermore, Edward Jones’ Advisory Solutions’ Fund Models Brochure (the
12 “Brochure”), provided to Plaintiffs and the other Class members, contained statements that were
13 misleading or omitted material information about Advisory Solutions. For example, under the
14 section of the Brochure entitled “Advisory Business,” Defendants describe “Investors in Advisory
15 Solutions [as] typically” those who:

- 16 - Need advice and guidance when making investment decisions
- 17 - Are at ease with a financial professional making their day-to-day investment
18 decisions

19 82. This description misleadingly implied that unless investors were in Advisory
20 Solutions, they did not need advice and guidance when making investment decisions and did not
21 feel comfortable with an Edward Jones financial professional making day-to-day investment
22 decisions for them. But Plaintiffs and the other Class Members opened their Edwards Jones’
23 commission-based accounts precisely because they needed investment advice and guidance and
24 wanted to rely on a financial professional for their investment decisions. Indeed, Plaintiffs and the
25 other Class Members were already receiving investment advice and guidance and relying on their
26 Edward Jones financial advisor for their investment decisions before moving into Advisory
27 Solutions, they simply ended up paying more for such services after the move.

28

1 83. In addition, under the section of the Brochure entitled “Comparing Costs and
2 Expenses,” Defendants state that:

3 A financial advisor will typically earn more in upfront fees and commissions when
4 you use brokerage services. In the alternative, a financial advisor will typically earn
5 more over time if you invest in Advisory Solutions.

6 84. This statement misleadingly implied that a similar amount in fees would be charged
7 whether utilizing commission-based brokerage services or fee-based Advisory Solutions, but that
8 the fees will simply be paid over time in Advisory Solutions rather than immediately upfront in
9 commission-based accounts. In truth, Plaintiffs and the other Class members paid substantially
10 more in fees after Edward Jones moved their commission-based accounts into Advisory Solutions.

11 85. Next, under the section entitled “Item 11: Code of Ethics, Participation or Interest
12 in Client Transactions and Personal Trading,” Defendants represent that:

13 Edward Jones has established a Code of Ethics to ensure that our associates:

- 14 (1) Act with integrity and in an ethical manner with you and all of our
15 clients
16 (2) Place your and all of our clients’ interests first

17 86. While paying lip service to the Company’s Code of Ethics, Defendants failed to
18 disclose that they were incentivizing advisors to violate the Code of Ethics by promoting, giving
19 pay raises and/or bonuses to, and/or not terminating advisors who inappropriately who
20 inappropriately moved their clients with commission-based accounts to a fee-based Advisory
21 Program, even when it was not in the clients’ best interest.

22 **ADDITIONAL SCIENTER ALLEGATIONS**

23 87. Edward Jones employs two supervisory arms. The formal supervisory arm is
24 comprised of a network of Field Supervision Directors (“FSDs”) based in either Arizona or
25 Missouri. FSDs directly supervise Financial Advisors (“FAs”) strictly with regard to regulatory
26 compliance. All other aspects of company management are routed through the Edward Jones’
27 second supervisory arm, regional leadership teams, each led by a regional leader. During the Class
28 Period, Defendant Weddle referred to regional leaders as “sales leader[s]” and the “pillar[s] of the

1 firm's management" tasked with branch office visits and overseeing the FAs within their respective
2 regions.

3 88. As part of their reverse churning strategy, Edward Jones took advantage of its built-
4 in network of FSDs who conducted branch office visits under the auspices of "regulatory
5 compliance." During the Class Period, FSDs customarily targeted larger accounts involving
6 commission-based transactions for review. The FSDs would point to ways in which certain
7 commission-based transactions might be *perceived* as "churning" or "unsuitable," irrespective of
8 the evidence to the contrary, and would even come equipped with data showing the FAs what
9 percentage of their accounts were in Advisory Solutions relative to their peers. FSDs would then
10 explain to the FAs how they would make more money in the long term by transferring their clients'
11 commission-based accounts to Advisory Solutions and how they had a vested interest in
12 transferring those accounts to Advisory Solutions and shifting management decisions to Edward
13 Jones. The purpose of the FSDs' visit was thus to essentially give a veiled threat from upper
14 management – transfer more commission-based accounts into Advisory Solutions or face stricter
15 scrutiny and possible termination. Refusing to transfer commission-based accounts to Advisory
16 Solutions posed a risk that most FAs did not feel was worth taking. As a result, billions of dollars
17 under management were shifted into Advisory Solutions during the Class Period.

18 89. At the regional level, Edward Jones' reverse churning strategy included aggressively
19 instructing FAs to sell Advisory Solutions during regional leadership meetings which were held
20 throughout the year. Not only were methods and strategies for marketing Advisory Solutions
21 discussed at those regional meetings, Edward Jones also used these meetings to foster a fraternal
22 environment in which achieving the Company's objectives was tantamount to "bleeding Edward
23 Jones' green" – which was expected of all advisors. Edward Jones put even more pressure on newer
24 advisors by holding weekly meetings with them which again focused on acquiring new accounts in
25 Advisory Solutions as well as the benefits of Advisory Solutions. FAs who transferred large
26 percentages of their clients' accounts to Advisory Solutions in short periods of time were applauded
27 by the regional leaders. Achieving regional goals and participation in regional activities was
28

1 rewarded in a myriad of ways, including promotion within the regional leadership structure in
2 addition to limited and general partnership offerings.

3 90. Defendants acted with scienter in that they all conspired to participate in the
4 aforementioned scheme whereby they improperly compelled Plaintiffs and the other members of
5 the Class into a fee-based Advisory Program, regardless of whether the move was suitable for, and
6 served the best interest of, Plaintiffs and the other members of the Class.

7 91. Defendants further acted with scienter because they knew that coercing Plaintiffs
8 and the other members of the Class into moving their assets from Edward Jones' commission-based
9 accounts into a fee-based Advisory Program, regardless of the suitability for the client, was illegal,
10 created conflicts of interest, and violated SEC and FINRA Rules prohibiting reverse churning.

11 92. Defendants are also charged with knowledge of FINRA Rule 2111, which provides,
12 in relevant part, the following:

13 (a) A member or an associated person must have a reasonable basis to believe that
14 a recommended transaction or investment strategy involving a security or securities
15 is suitable for the customer, based on the information obtained through the
16 reasonable diligence of the member or associated person to ascertain the customer's
17 investment profile. A customer's investment profile includes, but is not limited to,
18 the customer's age, other investments, financial situation and needs, tax status,
19 investment objectives, investment experience, investment time horizon, liquidity
20 needs, risk tolerance, and any other information the customer may disclose to the
21 member or associated person in connection with such recommendation.

22 93. Defendants further acted with scienter in that they knew that the statements made to
23 Plaintiffs and the other members of the Class to induce them to agree to shift their assets from
24 commission-based accounts into a fee-based Advisory Program were false, misleading and omitted
25 material information. Defendants knew that Plaintiffs and the other members of the Class were
26 wholly relying on the expertise of Defendants, yet they betrayed that trust to financially benefit
27 handsomely at the expense of Plaintiffs and the other members of the Class.

28 94. Defendants were highly motivated to allow and facilitate the wrongful conduct
alleged herein and participated in and/or had actual knowledge of the fraudulent conduct alleged
herein. In exchange for engaging in and allowing the unlawful practices alleged herein, Edward
Jones received increased financial compensation in the form of annual fees and costs associated

1 with the Advisory Programs as well as undisclosed promotional payments from placing clients in
2 Bridge Builder, all while avoiding the disclosure requirements of the DOL Fiduciary Rule because
3 Plaintiffs and the other members of the Class were no longer in commission-based accounts.

4 95. As evidenced by the Company's Form 10-K for fiscal year ending December 31,
5 2017 ("2017 Form 10-K"), the prosperity of Defendants' Advisory Programs was vital to the
6 success of Edward Jones' business. Edward Jones reported billions of dollars in increases in asset-
7 based fees during the Class Period, which more than offset the decrease in commission-based fees
8 about which Defendants hyperbolically warned. Edward Jones further disclosed that, every year
9 during the Class Period, the majority of the increases in the assets under care in the Advisory
10 Programs came from existing client assets.

11 96. Edward Jones partners are primarily compensated through revenue-sharing
12 proportionate to their general partner, subordinated limited partner and limited partner capital
13 ownership interests in the Company. Thus, while general partners receive a healthy base salary of
14 \$175,000 per year, the vast majority of their earnings—in excess of \$10 million every year in
15 several cases—are dependent on the company's generation of an annual profit. As demonstrated in
16 the chart below, the massive compensation totals received by the Individual Defendants were
17 directly the result of the perpetration of the fraud and deceit alleged herein. It is important to note
18 that Edward Jones discloses only the compensation of its CEO, CFO, and the next three highest
19 earning general partners. As such, income data is not available for each of the Individual Defendants
20 for every year in the class period. However, it is equally significant that these individuals, who
21 were most proximately responsible for implementing the alleged scheme, were so well
22 compensated for their efforts that they routinely ranked within the top five highest earning partners.
23 Consequently, during the class period, the Individual Defendants earned at least \$277,148,723 and
24 likely substantially more. Put another way, subtracting away their guaranteed salaries, the seven
25 Individual Defendants for which compensation data is known received over \$272 million that was
26 largely dependent on the Company's fee-based revenue. The Individual Defendants were therefore
27 directly incentivized to execute the scheme alleged herein.

28

Name	2013	2014	2015	2016	2017	Total
James D. Weddle	\$12,921,019	\$13,917,899	\$13,952,940	\$11,199,029	\$11,443,462	\$63,434,349
Kevin D. Bastien	\$8,617,937	\$10,453,515	\$11,173,621	\$10,043,559	\$11,770,557	\$52,059,189
Penelope ("Penny") Pennington	N/A	N/A	N/A	N/A	\$10,538,707	\$10,538,707
Daniel J. Timm	\$9,842,907	\$11,307,332	\$11,228,250	\$9,572,125	\$10,566,370	\$52,516,984
Brett A. Campbell	\$11,383,365	\$12,682,360	Retired	Retired	Retired	\$24,065,725
Norman L. Eaker	\$11,024,076	\$12,002,075	\$11,758,012	\$9,882,748	Retired	\$44,666,911
James A. Tricarico Jr.	N/A	N/A	\$10,306,348	\$9,143,785	\$10,416,725	\$29,866,858
Sum TOTAL						\$277,148,723

97. Moreover, Defendants were highly motivated to conceal this scheme from Plaintiffs and the other members of the Class because, had Plaintiffs and the other members of the Class known that moving their commission-based accounts to a fee-based Advisory Program was not in their best interest, Plaintiffs and the other members of the Class would not have agreed to make the move, and thereby would not have paid the improper substantially increased fees.

CLASS ACTION ALLEGATIONS

98. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons, or their beneficiaries without limitation, who had their assets moved from Edward Jones' commission-based accounts to an Advisory Program during the Class Period and were damaged thereby. Excluded from the Class are the officers and directors of the Company at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns.

99. The Class members are so numerous and geographically dispersed that joinder of all members is impracticable. Record owners and other Class members may be identified from records maintained by Edward Jones or its transfer agent and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions. While the exact number of Class members is unknown to Lead Plaintiff, Edward Jones has reported billions of dollars in increases in asset-based fees while the commission-based fees have decreased during the Class Period. In addition, Edward Jones has also disclosed that the majority of the increase in assets under care in its Advisory Programs every year during the Class Period came

1 from existing client assets. Edward Jones has further disclosed in its 2017 Form 10-K that it
2 manages assets for 5.2 million households, totaling \$1.121 trillion, of which approximately 28% is
3 in Advisory Programs. Accordingly, Plaintiffs reasonably believe there are thousands, if not tens
4 of thousands, of members in the proposed Class.

5 100. Plaintiffs' claims are typical of the claims of the members of the Class as all Class
6 members are similarly affected by Defendants' wrongful conduct in violation of federal law that is
7 complained of herein.

8 101. Plaintiffs will fairly and adequately protect the interests of the members of the Class
9 and have retained counsel competent and experienced in class and securities litigation.

10 102. Common questions of law and fact exist as to all members of the Class and
11 predominate over any questions solely affecting individual Class members. Among the questions
12 of law and fact common to the Class are:

13 (a) Whether the federal securities laws were violated by Defendants' acts as
14 alleged herein;

15 (b) Whether Defendants breached their fiduciary duties to Class members;

16 (c) Whether statements made by Defendants to Class members misrepresented
17 or omitted material facts about their investments and the Advisory Programs; and

18 (d) To what extent the Class members have sustained damages and the proper
19 measure of damages.

20 103. A class action is superior to all other available methods for the fair and efficient
21 adjudication of this controversy as joinder of all members is impracticable. Furthermore, as the
22 damages suffered by individual Class members may be relatively small, the expense and burden of
23 individual litigation make it impossible for Class members to individually redress the wrongs done
24 to them. There will be no difficulty in the management of this action as a class action.

25
26 **COUNT I**
27 **For Violation of § 10(b) of the 1934 Act and Rule 10b-5(a) and (c)**
28 **Promulgated Thereunder**
Against All Defendants

1 104. Plaintiffs hereby repeat, reallege and incorporate by reference each and every
2 allegation contained above as though the same were fully set forth herein.

3 105. During the Class Period, each Defendant carried out a plan, scheme and course of
4 conduct which was intended to and, throughout the Class Period, did deceive members of the Class,
5 as alleged herein and caused members of the Class to move their assets from commission-based
6 accounts into a fee-based Advisory Program and to otherwise suffer damages. In furtherance of this
7 unlawful scheme, plan and course of conduct, Defendants took the actions set forth herein.

8 106. Defendants (i) employed devices, schemes, and artifices to defraud; and (ii) engaged
9 in acts, practices, and a course of conduct which operated as a fraud and deceit upon Plaintiffs and
10 the other Class members who were compelled into moving assets from their commission-based
11 accounts into a fee-based Advisory Program. This was done by Defendants in an effort to enrich
12 themselves through undisclosed manipulative tactics by which they (1) Wrongfully generated more
13 revenue by requiring members of the Class to pay substantially more fees without receiving any
14 increased recognizable benefit; (2) Wrongfully received undisclosed promotional payments; and
15 (3) Wrongfully avoided the requirements of the DOL Fiduciary Rule at the expense of members of
16 the Class.

17 107. All Defendants are sued as primary participants in the wrongful and illegal conduct
18 and scheme charged herein.

19 108. Defendants, individually and in concert, directly and indirectly, by the use, means
20 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
21 continuous course of conduct to conceal adverse material information about Edward Jones and the
22 scheme to compel clients into a fee-based Advisory Program, as specified herein.

23 109. Defendants employed devices and artifices to defraud and engage in a course of
24 conduct and scheme as alleged herein to unlawfully manipulate and profit from excessive fees and
25 promotional payments as a result of the undisclosed practices of compelling clients into a fee-based
26 Advisory Program, as alleged herein, and thereby engaged in transactions, practices and a course
27 of conduct which operated as a fraud and deceit upon members of the Class.

28

1 110. Class members reasonably relied upon the representation of Defendants, who were
2 acting in a fiduciary capacity in coercing members of the Class to move their assets from
3 commission-based accounts into a fee-based Advisory Program.

4 111. Class members were ignorant of Defendants' fraudulent scheme. Class members
5 were injured because had Class members known of Defendants' unlawful scheme, they would not
6 have agreed to move their assets from commission-based accounts into a fee-based Advisory
7 Program, and they would not have paid the fees or costs associated with that Advisory Program.
8 Absent Defendants' wrongful conduct, Class members would not have been injured.

9 112. By virtue of the foregoing, Defendants each violated Section 10(b) of the 1934 Act
10 and Rule 10b-5(a) and (c) promulgated thereunder.

11 113. As a direct and proximate result of Defendants' wrongful conduct, Class members
12 suffered damages in connection with the movement of their assets from commission-based accounts
13 into a fee-based Advisory Program during the Class Period.

14 114. This claim was brought within the applicable statute of limitations.

15
16 **COUNT II**
17 **For Violation of § 10(b) of the 1934 Act and Rule 10b-5(b)**
18 **Promulgated Thereunder**
19 **Against All Defendants**

20 115. Plaintiffs hereby repeat, reallege and incorporate by reference each and every
21 allegation contained above as though the same were fully set forth herein.

22 116. During the Class Period, Defendants employed manipulative and deceptive devices
23 and contrivances in that they omitted to state material facts, including that moving Class members'
24 assets from commission-based accounts into a fee-based Advisory Program would improperly
25 result in substantially increased fees to Class members and that Defendants would receive
26 undisclosed incentives from revenue sharing in exchange for pushing their clients into an Advisory
27 Program, and that such incentives created inherent, insurmountable conflicts of interest.

28 117. Defendants, individually and in concert, direct and indirectly, by the use, means or
instrumentalities of interstate commerce and/or of the mails, engaged in and participated in a
continuous course of conduct to conceal the adverse material information about the improper

1 incentives and conflicts of interest alleged herein. All Defendants are sued as primary participants
2 in the wrongful and illegal conduct and scheme charged herein.

3 118. Defendants omitted to state material facts in order to profit improperly from millions
4 of dollars in incentive payments, as described above, made to them in the form of promotional
5 payments from investing Class members in certain mutual funds after moving their assets into an
6 Advisory Program.

7 119. Defendants omitted to state material facts in order improperly receive additional fees
8 from members of the Class, with members of the Class receiving no additional, recognizable
9 benefits.

10 120. Defendants omitted to state material facts in order to wrongfully avoid the
11 requirements of the DOL Fiduciary Rule at the expense of members of the Class.

12 121. Defendants had actual knowledge of the omissions of material facts set forth herein,
13 or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such
14 facts, because they knew that the misconduct described herein was, *inter alia*, against SEC and
15 FINRA rules. Such Defendants' material omissions were done knowingly or recklessly and for the
16 purpose and effect of concealing the truth.

17 122. By failing to disclose material facts, as set forth above, Defendants exploited the
18 fiduciary relationship with Plaintiffs and the other members of the Class, manipulating them into
19 moving their assets from commission-based accounts into a fee-based Advisory Program and
20 paying substantially increased fees. Plaintiffs and the other Class members would have refused to
21 have paid these increased fees had they known about the practices alleged herein. In relying on the
22 purported honesty of Edward Jones' business practices, and/or upon the fiduciary relationship
23 established between Defendants and Class members, and/or on the absence of material adverse
24 information that was known to or recklessly disregarded, but not disclosed by Defendants during
25 the Class Period, Plaintiffs and the other members of the Class moved their assets from
26 commission-based accounts into a fee-based Advisory Program during the Class Period, even
27 though such a move was adverse to their interests and improperly caused them to pay excessive
28 fees, and were damaged thereby.

1 123. At the time of said material omissions, Plaintiffs and the other members of the Class
2 were ignorant of their falsity, and believed them to be true. Had Plaintiffs and the other members
3 of the Class known the truth concerning Defendants' improper motives to benefit from moving
4 their assets from commission-based accounts into fee-based accounts, including to receive
5 substantially increased fees and promotional payments, and to avoid the disclosure requirements
6 under the DOL Fiduciary Rule, Plaintiffs and the other members of the Class would not have agreed
7 to such a move, and thereby would not have paid the improperly excessive fees.

8 124. By virtue of the foregoing, Defendants have violated Section 10(b) of the 1934 Act,
9 and Rule 10b-5(b) promulgated thereunder.

10 125. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the
11 other Class members suffered damages in connection with the movement of their assets from
12 commission-based accounts into a fee-based Advisory Program during the Class Period.

13 126. This claim was brought within the applicable statute of limitations.

14 **COUNT III**
15 **For Violation of § 12(a)(2) of the 1933 Act**
16 **Against Edward D. Jones**

17 127. Plaintiffs repeat and re-allege each and every allegation contained above as if fully
18 set forth herein, except that, for purposes of this claim, Plaintiffs expressly exclude and disclaim
19 any allegation that could be construed as alleging fraud or intentional or reckless misconduct.

20 128. This claim is brought pursuant to Section 12(a)(2) of the 1933 Act, 15 U.S.C. §
21 771(a)(2), against Edward D. Jones.

22 129. Edward D. Jones was the seller, or the successor-in-interest to the seller, within the
23 meaning of the 1933Act, for one or more of the respective mutual funds sold to Class members
24 because it either transferred title of shares of the mutual funds to members of the Class and/or
25 solicited the purchase of shares of the mutual funds by members of the Class, motivated in part by
26 a desire to serve its own financial interests.

27 130. During its sale of mutual funds to members of the Class, Edward D. Jones failed to
28 disclose to Plaintiffs and the other members of the Class that moving their commission-based

1 accounts into one of the Advisory Programs was adverse to their interests, and benefited Defendants
2 at their expense.

3 131. During its sale of mutual funds to members of the Class, Edward D. Jones failed to
4 disclose the incentives alleged herein that its investment advisors received in exchange for pushing
5 Edward D. Jones clients into the mutual funds. These incentives created insurmountable conflicts
6 of interest which were never meaningfully disclosed to investors.

7 132. During its sale of mutual funds to members of the Class, Edward D. Jones made
8 numerous untrue statements of material fact to Plaintiffs and the other members of the Class to
9 coerce them to move into an Advisory Program, as alleged herein.

10 133. Class members have sustained damages due to Edward D. Jones's violations.

11 134. At the time their commission-based accounts were moved into an Advisory Program
12 pursuant to or traceable to Edward D. Jones's untrue statements of material fact and omissions,
13 Class members were without knowledge of the facts concerning the untrue statements of fact and
14 material omissions alleged herein and could not reasonably have possessed such knowledge.

15 135. This claim was brought within the applicable statute of limitations.

16 **COUNT IV**
17 **For Violation of § 15 of the 1933 Act**
18 **Against Control Person Defendants**

19 136. Plaintiffs repeat and re-allege each and every allegation contained above, except that
20 for purposes of this claim, Plaintiffs expressly excludes and disclaims any allegation that could be
21 construed as alleging fraud or intentional or reckless misconduct.

22 137. This claim is brought pursuant to Section 15 of the 1933 Act against the Control
23 Person Defendants as control persons of Edward D. Jones. It is appropriate to treat these Defendants
24 as a group for pleading purposes and to presume that the false, misleading, and incomplete
25 information complained about herein are the collective actions of the Control Person Defendants
26 and Edward D. Jones.

27 138. Edward D. Jones is liable under Section 12(a)(2) of the 1933 Act as set forth herein.
28

1 146. In acting as a stockbroker to Plaintiffs and the other Class members prior to and
2 during the transition of their assets from commission-based accounts to a fee-based Advisory
3 Program, Defendants owed Plaintiffs and the other Class members a fiduciary duty.

4 147. In shifting the assets of Plaintiffs and the other Class members from a commission-
5 based structure to a fee-based structure, Defendants were required to act as fiduciaries.

6 148. Defendants knew that Plaintiffs and the other Class members entrusted their assets
7 to, and totally relied on the relationship of trust established with Defendants, and thereby
8 intentionally assumed the position of fiduciaries of the assets of Plaintiffs and the other Class
9 members.

10 149. Plaintiffs and the other Class members relied exclusively and without reservation
11 upon the representations, course of dealing and expertise of Defendants. In effect, Defendants
12 exercised total discretionary or control authority over the assets of the Plaintiffs and the other Class
13 members in Edward Jones' accounts.

14 150. The fiduciary duty owed to Plaintiffs and the other Class members by Defendants
15 required them to manage the accounts of Plaintiffs and the other Class members as dictated by the
16 customer's needs and objectives, to inform the customer of risks in particular investments, to refrain
17 from self-dealing, to follow the customer's order instructions, to disclose any self-interest, to stay
18 abreast of market changes, and to explain strategies. Implicit in these obligations is a duty to
19 disclose to the customer material facts.

20 151. The fiduciary duty owed to Plaintiffs and the other Class members by Defendants
21 required that, in moving Plaintiffs and the other Class members' assets from a commission-based
22 structure to a fee-based structure, Defendants must justify the move as economical.

23 152. All of the foregoing fiduciary duties have been breached by Defendants by virtue of
24 the afore described wrongful activities, and said breaches directly and proximately caused Plaintiffs
25 and the other Class members to suffer substantial damages for which Plaintiffs pray for relief, full
26 restitution of all losses, punitive damages and recovery of all costs and expenses, including
27 reasonable attorneys' fees.

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COUNT VI
For Breach of Fiduciary Duty
(On Behalf of California Subclass Only)
Against All Defendants

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4 153. Plaintiffs hereby repeat, reallege and incorporate by reference each and every
5 allegation contained above as though the same were fully set forth herein.

6 154. Prior to moving the assets of Plaintiffs and the other Class members into an Advisory
7 Program, Edward Jones acted as a stockbroker to Plaintiffs and the other Class members in
8 managing their commission-based accounts.

9 155. Under California law, stockbrokers owe customers a fiduciary duty. This imposes
10 on the broker the duty of acting in the highest good faith. Furthermore, if the stockbroker has
11 discretionary control over a customer's account, a more heightened fiduciary duty is imposed.

12 156. In acting as a stockbroker to Plaintiffs and the other Class members prior to and
13 during the transition of their assets from commission-based accounts to a fee-based Advisory
14 Program, Defendants owed Plaintiffs and the other Class members a fiduciary duty.

15 157. In shifting the assets of Plaintiffs and the other Class members from a commission-
16 based structure to a fee-based structure, Defendants were required to act as fiduciaries.

17 158. Defendants knew that Plaintiffs and the other Class members entrusted their
18 accounts to, and totally relied on the relationship established with Defendants, and thereby
19 intentionally assumed the position of fiduciaries of the accounts of Plaintiffs and the other Class
20 members.

21 159. Plaintiffs and the other Class members relied exclusively and without reservation
22 upon the representations, course of dealing, and expertise of Defendants. In effect, Defendants
23 exercised total discretionary or control authority over the accounts of Plaintiffs and the other Class
24 members.

25 160. The fiduciary duty owed to Plaintiffs and the other Class members by Defendants
26 required Defendants to manage the accounts of Plaintiffs and the other Class members as dictated
27 by the customer's needs and objectives, to inform the customer of risks in particular investments,
28

1 to refrain from self-dealing, to follow the customer's order instructions, to disclose any self-interest,
2 to stay abreast of market changes, and to explain strategies. Implicit in these obligations is a duty
3 to disclose to the customer material facts.

4 161. The fiduciary duty owed to Plaintiffs and the other Class members by Defendants
5 required that, in moving the assets of Plaintiffs and the other Class members from a commission-
6 based structure to a fee-based structure, Defendants must justify the move as economical.

7 162. All of the foregoing fiduciary duties have been breached by Defendants by virtue of
8 the afore described wrongful activities, and said breaches directly and proximately caused Plaintiffs
9 and the other Class members to suffer substantial damages for which Plaintiffs pray for relief, full
10 restitution of all losses, punitive damages and recovery of all costs and expenses, including
11 reasonable attorneys' fees.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, Plaintiffs pray for relief and judgment as follows:

- 14 A. Declaring that Defendants are liable pursuant to the 1933 and 1934 Acts;
15 B. Declaring that Defendants breached their fiduciary duties;
16 C. Determining and certifying that this action is a proper class action, certifying
17 Plaintiffs as class representatives, and appointing their counsel as Class Counsel
18 pursuant to Rule 23 of the Federal Rules of Civil Procedure
19 D. Awarding compensatory damages in favor of Plaintiffs and the Class against
20 Defendants, jointly and severally, for damages sustained as a result of Defendants'
21 wrongdoing, in an amount to be proven at trial;
22 E. Awarding all appropriate relief, including actual damages, statutory damages,
23 double damages, treble damages, punitive damages, consequential damages,
24 restitution, disgorgement, and any other appropriate compensatory, equitable, or
25 exemplary relief;
26 F. Awarding Plaintiffs and the Class pre-judgment and post-judgment interest as well
27 as reasonable attorneys' fees, costs and expenses incurred in this action; and
28 G. Awarding such other relief as the Court may deem just and proper.

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JURY DEMAND

Pursuant to Federal Rule of Civil Procedure 38(b), Plaintiffs hereby demand a trial by jury as to all claims in this action.

Dated: March 30, 2018

Respectfully submitted,

/s/ _____
John Garner (246729)
GARNER LAW OFFICE
109 North Marshall Avenue
P.O. Box 908
Willows, CA 95988
Telephone: (530) 934-3324
Facsimile: (530) 934-2334
jrg@erglaw.net

Ivy T. Ngo (249860)
FRANKLIN D. AZAR & ASSOCIATES, P.C.
14426 East Evans Avenue
Aurora, CO 80014
Telephone: (303) 757-3300
Facsimile: (303) 759-5203
ngoi@fdazar.com

Attorneys for Plaintiffs