

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-16633

THE JONES FINANCIAL COMPANIES, L.L.L.P.

(Exact name of registrant as specified in its Charter)

MISSOURI
(State or other jurisdiction of
incorporation or organization)

43-1450818
(IRS Employer
Identification No.)

12555 Manchester Road
Des Peres, Missouri 63131
(Address of principal executive office)

(Zip Code)
(314) 515-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
None	N/A	N/A

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 28, 2023, 1,769,446 units of limited partnership interest ("Interests") are outstanding, each representing \$1,000 of limited partner capital. There is no public or private market for such Interests.

THE JONES FINANCIAL COMPANIES, L.L.L.P.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE JONES FINANCIAL COMPANIES, L.L.P.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

<i>(Dollars in millions)</i>	March 31, 2023	December 31, 2022
ASSETS:		
Cash and cash equivalents	\$ 1,940	\$ 1,882
Cash and investments segregated under federal regulations	15,800	17,827
Securities purchased under agreements to resell	647	437
Receivables from:		
Clients	4,183	4,375
Mutual funds, insurance companies and other	888	850
Brokers, dealers and clearing organizations	311	400
Securities owned, at fair value:		
Investment securities	823	1,329
Inventory securities	75	76
Lease right-of-use assets	950	922
Fixed assets, at cost, net of accumulated depreciation and amortization	894	862
Other assets	1,038	932
TOTAL ASSETS	\$ 27,549	\$ 29,892
LIABILITIES:		
Payables to:		
Clients	\$ 19,219	\$ 21,359
Brokers, dealers and clearing organizations	134	392
Accrued compensation and employee benefits	1,770	2,165
Accounts payable, accrued expenses and other	1,046	1,199
Lease liabilities	981	958
	<u>23,150</u>	<u>26,073</u>
Contingencies (Note 7)		
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals and partnership loans:		
Limited partners	1,773	1,212
Subordinated limited partners	669	618
General partners	1,617	1,525
Total	4,059	3,355
Reserve for anticipated withdrawals	340	464
Total partnership capital subject to mandatory redemption	4,399	3,819
TOTAL LIABILITIES	\$ 27,549	\$ 29,892

The accompanying notes are an integral part of these Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

THE JONES FINANCIAL COMPANIES, L.L.P.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<i>(Dollars in millions, except per unit information and units outstanding)</i>	Three Months Ended	
	March 31, 2023	March 25, 2022
Revenue:		
Fee revenue		
Asset-based	\$ 2,501	\$ 2,503
Account and activity	184	172
Total fee revenue	2,685	2,675
Trade revenue	340	389
Interest and dividends	276	44
Other revenue (loss), net	58	(52)
Total revenue	3,359	3,056
Interest expense	74	23
Net revenue	3,285	3,033
Operating expenses:		
Compensation and benefits	2,247	2,148
Communications and data processing	201	146
Occupancy and equipment	151	143
Fund sub-adviser fees	64	63
Professional and consulting fees	45	40
Other operating expenses	176	132
Total operating expenses	2,884	2,672
Income before allocations to partners	401	361
Allocations to partners:		
Limited partners	68	43
Subordinated limited partners	45	43
General partners	288	275
Net Income	\$ —	\$ —
Income allocated to limited partners per weighted average \$1,000 equivalent limited partnership unit outstanding	\$ 36.15	\$ 34.91
Weighted average \$1,000 equivalent limited partnership units outstanding	1,775,839	1,226,276

The accompanying notes are an integral part of these Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

THE JONES FINANCIAL COMPANIES, L.L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERSHIP CAPITAL
SUBJECT TO MANDATORY REDEMPTION
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND MARCH 25, 2022
(Unaudited)

<i>(Dollars in millions)</i>	<i>Limited Partnership Capital</i>	<i>Subordinated Limited Partnership Capital</i>	<i>General Partnership Capital</i>	<i>Total</i>
Q1 2023:				
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, DECEMBER 31, 2022	\$ 1,312	\$ 671	\$ 1,836	\$ 3,819
Reserve for anticipated withdrawals	(100)	(53)	(311)	(464)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, December 31, 2022	\$ 1,212	\$ 618	\$ 1,525	\$ 3,355
Partnership loans outstanding, December 31, 2022	—	—	335	335
Total partnership capital, including capital financed with partnership loans, net of reserve for anticipated withdrawals, December 31, 2022	1,212	618	1,860	3,690
Issuance of partnership interests	568	65	312	945
Redemption of partnership interests	(7)	(14)	(71)	(92)
Income allocated to partners	68	45	288	401
Distributions	(2)	—	(20)	(22)
Total partnership capital, including capital financed with partnership loans	1,839	714	2,369	4,922
Partnership loans outstanding, March 31, 2023	—	—	(523)	(523)
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, MARCH 31, 2023	\$ 1,839	\$ 714	\$ 1,846	\$ 4,399
Reserve for anticipated withdrawals	(66)	(45)	(229)	(340)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, March 31, 2023	\$ 1,773	\$ 669	\$ 1,617	\$ 4,059
	<i>Limited Partnership Capital</i>	<i>Subordinated Limited Partnership Capital</i>	<i>General Partnership Capital</i>	<i>Total</i>
Q1 2022:				
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, DECEMBER 31, 2021	\$ 1,361	\$ 640	\$ 1,754	\$ 3,755
Reserve for anticipated withdrawals	(136)	(59)	(325)	(520)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, December 31, 2021	\$ 1,225	\$ 581	\$ 1,429	\$ 3,235
Partnership loans outstanding, December 31, 2021	—	—	321	321
Total partnership capital, including capital financed with partnership loans, net of reserve for anticipated withdrawals, December 31, 2021	1,225	581	1,750	3,556
Issuance of partnership interests	4	52	264	320
Redemption of partnership interests	(5)	(17)	(38)	(60)
Income allocated to partners	43	43	275	361
Distributions	(1)	—	(12)	(13)
Total partnership capital, including capital financed with partnership loans	1,266	659	2,239	4,164
Partnership loans outstanding, March 25, 2022	—	—	(425)	(425)
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, MARCH 25, 2022	1,266	659	1,814	3,739
Reserve for anticipated withdrawals	(42)	(43)	(225)	(310)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, March 25, 2022	1,224	616	1,589	3,429

The accompanying notes are an integral part of these Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

THE JONES FINANCIAL COMPANIES, L.L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(Dollars in millions)</i>	Three Months Ended	
	March 31, 2023	March 25, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ —	\$ —
Adjustments to reconcile net income to net cash provided by operating activities:		
Income before allocations to partners	401	361
Depreciation and amortization	127	118
Changes in assets and liabilities:		
Investments segregated under federal regulations	260	(527)
Securities purchased under agreements to resell	(210)	445
Net payable to clients	(1,948)	403
Net receivable from brokers, dealers and clearing organizations	(169)	(115)
Receivable from mutual funds, insurance companies and other	(38)	(82)
Securities owned	507	(180)
Other assets	(106)	(70)
Lease liabilities	(83)	(80)
Accrued compensation and employee benefits	(395)	(600)
Accounts payable, accrued expenses and other	(148)	(243)
Net cash used in operating activities	(1,802)	(570)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(86)	(56)
Cash used in investing activities	(86)	(56)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of partnership loans	56	44
Issuance of partnership interests	633	56
Redemption of partnership interests	(92)	(60)
Distributions from partnership capital	(418)	(417)
Net cash provided by (used in) financing activities	179	(377)
Net decrease in cash, cash equivalents and restricted cash	(1,709)	(1,003)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period	8,382	7,706
End of period	<u>\$ 6,673</u>	<u>\$ 6,703</u>

See Note 10 for additional cash flow information.

The accompanying notes are an integral part of these Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

THE JONES FINANCIAL COMPANIES, L.L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in millions)

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements include the accounts of The Jones Financial Companies, L.L.P. and all wholly-owned subsidiaries (collectively, the “Partnership” or “JFC”). The financial position of the Partnership’s subsidiaries in Canada as of February 28, 2023 and November 30, 2022 are included in the Partnership’s Consolidated Statements of Financial Condition and the results for the three-month periods ended February 28, 2023 and 2022 are included in the Partnership’s Consolidated Statements of Income, Consolidated Statements of Changes in Partnership Capital Subject to Mandatory Redemption, and Consolidated Statements of Cash Flows because of the timing of the Partnership’s financial reporting process.

The Partnership’s principal operating subsidiary, Edward D. Jones & Co., L.P. (“Edward Jones”), is a registered broker-dealer and investment adviser in the United States (“U.S.”), and one of Edward Jones’ subsidiaries, Edward Jones (an Ontario limited partnership) (“EJ Canada”), is a registered broker-dealer in Canada. Through these entities, the Partnership primarily serves individual investors in the U.S. and Canada. Edward Jones is a retail brokerage business and primarily derives revenues from fees for providing investment advisory and other account services to its clients, fees for assets held by clients and commissions for the distribution of mutual fund shares and insurance products and the purchase or sale of securities. The Partnership conducts business throughout the U.S. and Canada with its clients, various brokers, dealers, clearing organizations, depositories and banks. For financial information related to the Partnership’s two operating segments for the three-month periods ended March 31, 2023 and March 25, 2022, see Note 8 to the Consolidated Financial Statements. Trust services are offered to Edward Jones’ U.S. clients through Edward Jones Trust Company (“Trust Co.”), a wholly-owned subsidiary of the Partnership. Olive Street Investment Advisers, LLC (“Olive Street”), a wholly-owned subsidiary of the Partnership, provides investment advisory services to the twelve sub-advised mutual funds comprising the Bridge Builder® Trust and the Edward Jones Money Market Fund (the “Money Market Fund”).

The Consolidated Financial Statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, which require the use of certain estimates by management in determining the Partnership’s assets, liabilities, revenues and expenses. Actual results could differ from these estimates. Certain prior period balances have been adjusted to align to current year presentation.

The interim financial information included herein is unaudited. However, in the opinion of management, such information includes all adjustments, consisting primarily of normal recurring accruals, which are necessary for a fair statement of the results of interim operations. The Partnership evaluated subsequent events for recognition or disclosure through May 9, 2023, which was the date these Consolidated Financial Statements were available to be issued, and identified no matters requiring disclosure.

There have been no material changes to the Partnership’s significant accounting policies or disclosures of recently issued accounting standards as described in Part II, Item 8 – Financial Statements and Supplementary Data – Note 1 of the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”). The results of operations for the three-month period ended March 31, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023. These unaudited Consolidated Financial Statements should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and notes thereto included in the Annual Report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 2 – LEASES

For the three-month periods ended March 31, 2023 and March 25, 2022, cash paid for amounts included in the measurement of operating lease liabilities was \$83 and \$80, respectively, and lease right-of-use assets obtained in exchange for new operating lease liabilities were \$108 and \$75, respectively. The weighted-average remaining lease term was four years as of both March 31, 2023 and December 31, 2022, and the weighted-average discount rate was 2.8% and 2.6%, respectively.

The following table summarizes the Partnership's operating lease cost, variable lease cost not included in the lease liability and total lease cost for the:

	Three Months Ended	
	March 31, 2023	March 25, 2022
Operating lease cost	\$ 83	\$ 82
Variable lease cost	17	15
Total lease cost	\$ 100	\$ 97

The Partnership's future undiscounted cash outflows for operating leases are summarized below as of:

	March 31, 2023
2023	\$ 240
2024	270
2025	210
2026	153
2027	90
Thereafter	89
Total lease payments	1,052
Less: Interest	71
Total present value of lease liabilities	\$ 981

While the rights and obligations for leases that have not yet commenced are not significant, the Partnership regularly enters into new branch office leases.

NOTE 3 – RECEIVABLES AND REVENUE

As of March 31, 2023 and December 31, 2022, collateral held for receivables from clients was \$4,759 and \$5,094, respectively, and collateral held for securities purchased under agreements to resell was \$656 and \$441, respectively. Given the nature of the agreements, the Partnership does not expect the fair value of collateral to fall below the value of the agreements frequently or for an extended period of time. Therefore, the expected credit loss was zero for each period. Additionally, partnership loan values remained below the value of capital allocated to partners, resulting in an expected credit loss of zero as of March 31, 2023 and December 31, 2022.

As of March 31, 2023, December 31, 2022 and December 31, 2021, \$672, \$637 and \$695, respectively, of the receivable from clients balance and \$297, \$328 and \$335, respectively, of the receivable from mutual funds, insurance companies and other balance related to revenue contracts with customers. The related fees are paid out of client accounts or third-party products consisting of cash and securities, and the collateral value of those accounts continues to exceed the amortized cost basis of these receivables, resulting in a remote risk of loss. The expected credit loss for receivables from contracts with customers was zero as of March 31, 2023 and December 31, 2022.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

The following table shows the Partnership's disaggregated revenue information. See Note 8 for segment information.

	Three Months Ended March 31, 2023			Three Months Ended March 25, 2022		
	U.S.	Canada	Total	U.S.	Canada	Total
Fee revenue:						
Asset-based fee revenue:						
Advisory programs fees	\$ 1,810	\$ 37	\$ 1,847	\$ 1,890	\$ 37	\$ 1,927
Service fees	336	25	361	379	29	408
Cash solutions fees	135	—	135	8	—	8
Other asset-based fees	158	—	158	160	—	160
Total asset-based fee revenue	2,439	62	2,501	2,437	66	2,503
Account and activity fee revenue:						
Shareholder accounting services fees	115	—	115	111	—	111
Other account and activity fee revenue	66	3	69	58	3	61
Total account and activity fee revenue	181	3	184	169	3	172
Total fee revenue	2,620	65	2,685	2,606	69	2,675
Trade revenue:						
Commissions	278	10	288	366	12	378
Principal transactions	50	2	52	10	1	11
Total trade revenue	328	12	340	376	13	389
Total revenue from customers	2,948	77	3,025	2,982	82	3,064
Net interest and dividends and other revenue (loss)						
	242	18	260	(38)	7	(31)
Net revenue	\$ 3,190	\$ 95	\$ 3,285	\$ 2,944	\$ 89	\$ 3,033

NOTE 4 – FAIR VALUE

The Partnership's valuation methodologies for financial assets and financial liabilities measured at fair value and the fair value hierarchy are described in Part II, Item 8 – Financial Statements and Supplementary Data – Note 1 of the Partnership's Annual Report. There have been no material changes to the Partnership's valuation methodologies since December 31, 2022.

The Partnership records fractional shares at fair value in other assets with associated liabilities in accounts payable, accrued expenses and other in the Consolidated Statements of Financial Condition. The liabilities are initially recorded at the dollar amount received from the clients, but the Partnership makes an election to record the liabilities at fair value. Changes in the fair value of the assets and liabilities offset in other revenue in the Consolidated Statements of Income, with no impact on income before allocations to partners.

The Partnership did not have any assets or liabilities categorized as Level III during the three- and twelve-month periods ended March 31, 2023 and December 31, 2022, respectively.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

The following tables show the Partnership's financial assets and liabilities measured at fair value as of:

	March 31, 2023			
	Level I	Level II	Level III	Total
Assets:				
Cash equivalents:				
Certificates of deposit	\$ —	\$ 336	\$ —	\$ 336
Money market funds	13	—	—	13
Total cash equivalents	<u>\$ 13</u>	<u>\$ 336</u>	<u>\$ —</u>	<u>\$ 349</u>
Investments segregated under federal regulations:				
U.S. treasuries	\$ 9,567	\$ —	\$ —	\$ 9,567
Certificates of deposit	—	1,500	—	1,500
Total investments segregated under federal regulations	<u>\$ 9,567</u>	<u>\$ 1,500</u>	<u>\$ —</u>	<u>\$ 11,067</u>
Securities owned:				
Investment securities:				
Government and agency obligations	\$ 400	\$ —	\$ —	\$ 400
Mutual funds ⁽¹⁾	304	—	—	304
Certificates of deposit	—	100	—	100
Municipal obligations	—	11	—	11
Equities	8	—	—	8
Total investment securities	<u>\$ 712</u>	<u>\$ 111</u>	<u>\$ —</u>	<u>\$ 823</u>
Inventory securities:				
Municipal obligations	\$ —	\$ 33	\$ —	\$ 33
Equities	29	—	—	29
Certificates of deposit	—	5	—	5
Corporate bonds and notes	—	4	—	4
Mutual funds	3	—	—	3
Government and agency obligations	1	—	—	1
Total inventory securities	<u>\$ 33</u>	<u>\$ 42</u>	<u>\$ —</u>	<u>\$ 75</u>
Other assets:				
Client fractional share ownership assets	<u>\$ 710</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 710</u>
Liabilities:				
Accounts payable, accrued expenses and other:				
Client fractional share redemption obligations	<u>\$ 710</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 710</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

	December 31, 2022			
	Level I	Level II	Level III	Total
Assets:				
Cash equivalents:				
Certificates of deposit	\$ —	\$ 144	\$ —	\$ 144
Money market funds	49	—	—	49
Total cash equivalents	<u>\$ 49</u>	<u>\$ 144</u>	<u>\$ —</u>	<u>\$ 193</u>
Investments segregated under federal regulations:				
U.S. treasuries	\$ 10,327	\$ —	\$ —	\$ 10,327
Certificates of deposit	—	1,000	—	1,000
Total investments segregated under federal regulations	<u>\$ 10,327</u>	<u>\$ 1,000</u>	<u>\$ —</u>	<u>\$ 11,327</u>
Securities owned:				
Investment securities:				
Government and agency obligations	\$ 1,000	\$ —	\$ —	\$ 1,000
Mutual funds ⁽¹⁾	310	—	—	310
Municipal obligations	—	11	—	11
Equities	8	—	—	8
Total investment securities	<u>\$ 1,318</u>	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ 1,329</u>
Inventory securities:				
Municipal obligations	\$ —	\$ 28	\$ —	\$ 28
Corporate bonds and notes	—	21	—	21
Equities	20	—	—	20
Mutual funds	4	—	—	4
Government and agency obligations	3	—	—	3
Total inventory securities	<u>\$ 27</u>	<u>\$ 49</u>	<u>\$ —</u>	<u>\$ 76</u>
Other assets:				
Client fractional share ownership assets	<u>\$ 680</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 680</u>
Liabilities:				
Accounts payable, accrued expenses and other:				
Client fractional share redemption obligations	<u>\$ 680</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 680</u>

⁽¹⁾ The mutual funds balance consists primarily of securities held to economically hedge future liabilities for the non-qualified deferred compensation plan. The balance also includes a security held for regulatory purposes at the Trust Co.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 5 – PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION

The Partnership makes loans available to those general partners and, in limited circumstances, subordinated limited partners (in each case, other than members of the Enterprise Leadership Team ("ELT"), as defined in the Partnership's Twenty-First Amended and Restated Agreement of Registered Limited Liability Limited Partnership, dated September 1, 2021 (the "Partnership Agreement")), who require financing for some or all of their Partnership capital contributions. In limited circumstances a general partner may withdraw from the Partnership and become a subordinated limited partner while they still have an outstanding Partnership loan. It is anticipated that, of the future general and subordinated limited partnership capital contributions (in each case, other than for ELT members) requiring financing, the majority will be financed through Partnership loans. Loans made by the Partnership to such partners are generally for a period of one year but are expected to be renewed and bear interest at the greater of the Prime Rate for the last business day of the prior fiscal month or 3.25% per annum. The Partnership recognizes interest income for the interest earned related to these loans. The outstanding amount of Partnership loans is reflected as a reduction to total Partnership capital. As of March 31, 2023 and December 31, 2022, the outstanding amount of Partnership loans was \$523 and \$335, respectively. Interest income earned from these loans, which is included in interest and dividends in the Consolidated Statements of Income, was \$10 and \$3 for the three-month periods ended March 31, 2023 and March 25, 2022, respectively.

The following table shows the roll forward of outstanding Partnership loans for the:

	Three Months Ended	
	March 31, 2023	March 25, 2022
Partnership loans outstanding at beginning of period	\$ 335	\$ 321
Partnership loans issued during the period	312	264
Repayment of Partnership loans during the period	(124)	(160)
Total Partnership loans outstanding	<u>\$ 523</u>	<u>\$ 425</u>

The minimum 7.5% annual return on the face amount of limited partnership capital was \$33 and \$23 for the three-month periods ended March 31, 2023 and March 25, 2022, respectively. These amounts are included as a component of interest expense in the Consolidated Statements of Income.

The Partnership filed a Registration Statement on Form S-8 with the U.S. Securities and Exchange Commission ("SEC") on December 8, 2021, to register \$700 of limited partnership interest ("Interests") issuable pursuant to the Partnership's 2021 Employee Limited Partnership Interest Purchase Plan (the "2021 Plan"). In early 2023, the Partnership issued \$568 of Interests under the 2021 Plan. Proceeds from the offering under the 2021 Plan are expected to be used to meet growth needs or for other purposes. The remaining \$132 of Interests may be issued at the discretion of the Managing Partner in the future.

NOTE 6 – NET CAPITAL REQUIREMENTS

As a result of its activities as a U.S. broker-dealer, Edward Jones is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and capital compliance rules of the Financial Industry Regulatory Authority ("FINRA"). Under the alternative method permitted by the rules, Edward Jones must maintain minimum net capital equal to the greater of \$0.25 or 2% of aggregate debit items arising from client transactions. The net capital rules also provide that Edward Jones' partnership capital may not be withdrawn if resulting net capital would be less than minimum requirements. Additionally, certain withdrawals require the approval of the SEC and FINRA to the extent they exceed defined levels, even though such withdrawals would not cause net capital to be less than minimum requirements.

EJ Canada is a registered broker-dealer regulated by the New Self-Regulatory Organization of Canada ("New SRO") in 2023, and previously was regulated by the Investment Industry Regulatory Organization of Canada ("IIROC") in 2022. Under the regulations prescribed by IIROC through December 31, 2022 and the New SRO thereafter, EJ Canada was and is required to maintain minimum levels of risk-adjusted capital, which are dependent on the nature of EJ Canada's assets and operations.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

The following table shows the Partnership's capital figures for the U.S. and Canada broker-dealer subsidiaries as of:

	March 31, 2023	December 31, 2022
U.S.:		
Net capital	\$ 1,101	\$ 1,038
Net capital in excess of the minimum required	\$ 1,032	\$ 965
Net capital as a percentage of aggregate debit items	31.9%	28.4%
Net capital after anticipated capital withdrawals, as a percentage of aggregate debit items	15.4%	13.3%
Canada:		
Regulatory risk-adjusted capital	\$ 112	\$ 103
Regulatory risk-adjusted capital in excess of the minimum required	\$ 111	\$ 102

U.S. net capital, Canada regulatory risk-adjusted capital and the related capital percentages may fluctuate on a daily basis.

NOTE 7 – CONTINGENCIES

In the normal course of its business, the Partnership is involved, from time to time, in various legal and regulatory matters, including arbitrations, class actions, other litigation, and examinations, investigations and proceedings by governmental authorities, self-regulatory organizations and other regulators, which may result in losses. These matters include:

Securities Class Action. On March 30, 2018, Edward Jones and its affiliated entities and individuals were named as defendants in a putative class action (*Anderson, et al. v. Edward D. Jones & Co., L.P., et al.*) filed in the U.S. District Court for the Eastern District of California. The lawsuit originally was brought under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act, as well as Missouri and California law and alleges that the defendants inappropriately transitioned client assets from commission-based accounts to fee-based programs. The plaintiffs requested declaratory, equitable, and exemplary relief, and compensatory damages. On July 9, 2019, the district court entered an order dismissing the lawsuit in its entirety without prejudice. On July 29, 2019, the plaintiffs filed a second amended complaint, which eliminated certain defendants, withdrew the Securities Act claims, added claims under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"), and certain additional state law claims, and reasserted the remaining claims with modified allegations. The defendants filed a motion to dismiss, the plaintiffs subsequently withdrew their Investment Advisers Act claims, and on November 12, 2019, the district court granted the defendants' motion to dismiss all other claims. The plaintiffs appealed the district court's dismissal of certain of their state law claims on jurisdictional grounds but did not appeal the dismissal of the remaining claims. On March 4, 2021, the U.S. Court of Appeals for the Ninth Circuit reversed the district court's dismissal of those state law claims. After further appellate proceedings in the Ninth Circuit, defendants filed a petition for certiorari with the U.S. Supreme Court, which was denied on January 18, 2022. On February 2, 2022, the defendants filed a renewed motion to dismiss the plaintiffs' remaining state law claims. On May 9, 2022, the court dismissed the second amended complaint without prejudice. On May 31, 2022, the plaintiffs filed a third amended complaint alleging a single claim of breach of fiduciary duty under Missouri and California law against a single defendant, Edward Jones, which Edward Jones moved to dismiss on June 21, 2022. The district court denied the motion to dismiss in an order filed on October 26, 2022. Edward Jones filed its answer to the third amended complaint on November 14, 2022. Edward Jones denies the plaintiffs' allegations and intends to continue to vigorously defend this lawsuit.

Gender and Race Discrimination Class Action. On March 9, 2022, Edward Jones and JFC were named as defendants in a lawsuit (*Dixon, et al. v. Edward D. Jones & Co., L.P., et al.*) filed in the U.S. District Court for the Eastern District of Missouri. The lawsuit was brought by a current financial advisor as a putative collective action alleging gender discrimination under the Fair Labor Standards Act, and by a former financial advisor as a putative class action alleging race discrimination under 42 U.S.C. § 1981. On April 25, 2022, the plaintiffs filed an amended complaint reasserting the original claims with modified allegations and adding claims under Title VII of the Civil Rights Act of 1964 alleging race/national origin, gender, and sexual orientation discrimination on behalf of putative classes of financial advisors. The defendants filed a motion to dismiss on May 23, 2022, and on September 15, 2022, the court stayed further proceedings in the case pending a decision on the motion to dismiss. On March 31, 2023, the district court denied the motion to dismiss and lifted the stay of proceedings.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

Edward Jones and JFC filed an answer to the amended complaint on April 17, 2023. Edward Jones and JFC deny the allegations and intend to vigorously defend this lawsuit.

Home Office Gender Discrimination Class Action. Edward Jones and JFC were named as defendants in a lawsuit brought by a former employee (*Zigler v. Edward D. Jones & Co., L.P. et al.*) in the Northern District of Illinois. The initial complaint filed on September 1, 2022 alleged putative class and collective claims under the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964 and Illinois state laws of gender-based wage discrimination against a subset of female home office associates whom the plaintiff described as “home office financial advisor[s].” The plaintiff amended the complaint on November 29, 2022, seeking to expand the putative collective and class definitions to include all female home office associates in any role. Edward Jones and JFC filed a motion to dismiss the amended complaint on January 6, 2023. Edward Jones and JFC deny the allegations and intend to vigorously defend this lawsuit.

SEC Off-Channel Communications Platforms Investigation. Edward Jones has been responding to requests from the SEC in connection with its publicly reported investigation of compliance by broker-dealers, investment advisers and other financial institutions with recordkeeping requirements. The investigation relates to retention of electronic communications stored on personal devices or messaging platforms that have not been approved by Edward Jones for business use by its employees. Edward Jones is cooperating with the SEC’s investigation.

In addition to these matters, the Partnership provides for potential losses that may arise related to other contingencies. The Partnership assesses its liabilities and contingencies utilizing available information. The Partnership accrues for potential losses for those matters where it is probable that the Partnership will incur a potential loss to the extent that the amount of such potential loss can be reasonably estimated, in accordance with Financial Accounting Standards Board Accounting Standards Codification No. 450, *Contingencies*. This liability represents the Partnership’s estimate of the probable loss as of March 31, 2023, after considering, among other factors, the progress of each case, the Partnership’s experience with other legal and regulatory matters and discussion with legal counsel, and is believed to be sufficient. The aggregate accrued liability is recorded within the accounts payable, accrued expenses and other line of the Consolidated Statements of Financial Condition and may be adjusted from time to time to reflect any relevant developments.

For such matters where an accrued liability has not been established and the Partnership believes a loss is both reasonably possible and estimable, as well as for matters where an accrued liability has been recorded but for which an exposure to loss in excess of the amount accrued is both reasonably possible and estimable, the current estimated aggregated range of additional possible loss is up to \$31 as of March 31, 2023. This range of reasonably possible loss does not necessarily represent the Partnership’s maximum loss exposure as the Partnership was not able to estimate a range of reasonably possible loss for all matters.

Further, the matters underlying any disclosed estimated range will change from time to time, and actual results may vary significantly. While the outcome of these matters is inherently uncertain, based on information currently available, the Partnership believes that its established liabilities as of March 31, 2023 are adequate, and the liabilities arising from such matters will not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Partnership. However, based on future developments and the potential unfavorable resolution of these matters, the outcome could be material to the Partnership’s future consolidated operating results for a particular period or periods.

NOTE 8 – SEGMENT INFORMATION

The Partnership has determined it has two operating and reportable segments based upon geographic location, the U.S. and Canada. Canada segment information, as reported in the following table, is based upon the consolidated financial statements of the Partnership’s Canada operations, which primarily occur through a non-guaranteed subsidiary of the Partnership. The U.S. segment information is derived from the Consolidated Financial Statements less the Canada segment information as presented. Pre-variable income represents income before variable compensation expense and before allocations to partners. This is consistent with how management reviews the segments to assess performance.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

The following table shows financial information for the Partnership's reportable segments:

	Three Months Ended	
	March 31, 2023	March 25, 2022
Net revenue:		
U.S.	\$ 3,190	\$ 2,944
Canada	95	89
Total net revenue	<u>\$ 3,285</u>	<u>\$ 3,033</u>
Pre-variable income:		
U.S.	\$ 793	\$ 819
Canada	20	17
Total pre-variable income	<u>\$ 813</u>	<u>\$ 836</u>
Variable compensation:		
U.S.	\$ 403	\$ 464
Canada	9	11
Total variable compensation	<u>\$ 412</u>	<u>\$ 475</u>
Income before allocations to partners:		
U.S.	\$ 390	\$ 355
Canada	11	6
Total income before allocations to partners	<u>\$ 401</u>	<u>\$ 361</u>

NOTE 9 – OFFSETTING ASSETS AND LIABILITIES

The Partnership does not offset financial instruments in the Consolidated Statements of Financial Condition. However, the Partnership enters into master netting arrangements with counterparties for securities purchased under agreements to resell that are subject to net settlement in the event of default. These agreements create a right of offset for the amounts due to and due from the same counterparty in the event of default or bankruptcy.

The following table shows the Partnership's securities purchased under agreements to resell as of:

	Gross amounts of recognized assets	Gross amounts offset in the Consolidated Statements of Financial Condition	Net amounts presented in the Consolidated Statements of Financial Condition	Gross amounts not offset in the Consolidated Statements of Financial Condition		Net amount
				Financial instruments	Securities collateral	
March 31, 2023	\$ 647	—	647	—	(647)	\$ —
December 31, 2022	\$ 437	—	437	—	(437)	\$ —

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 10 – CASH FLOW INFORMATION

The following table shows supplemental cash flow information for the:

	Three Months Ended	
	March 31, 2023	March 25, 2022
Non-cash activities:		
Issuance of general partnership interests through partnership loans in current period	\$ 312	\$ 264
Repayment of partnership loans through distributions from partnership capital in current period	\$ 68	\$ 116

The following table reconciles certain line items on the Consolidated Statements of Financial Condition to the cash, cash equivalents and restricted cash balance on the Consolidated Statements of Cash Flows as of:

	March 31, 2023	March 25, 2022
Cash and cash equivalents	\$ 1,940	\$ 1,306
Cash and investments segregated under federal regulations	15,800	20,232
Less: Investments segregated under federal regulations	11,067	14,835
Total cash, cash equivalents and restricted cash	<u>\$ 6,673</u>	<u>\$ 6,703</u>

Restricted cash represents cash segregated in special reserve bank accounts for the benefit of U.S. clients pursuant to Rule 15c3-3 under the Exchange Act.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis is intended to help the reader understand the results of operations, the financial condition and the cash flows of the Partnership. Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in Part I, Item 1 – Financial Statements of this Quarterly Report on Form 10-Q and Part II, Item 8 – Financial Statements and Supplementary Data of the Partnership's Annual Report. All amounts are presented in millions, except as otherwise noted.

Basis of Presentation

The Partnership broadly categorizes its net revenues into four categories: fee revenue, trade revenue, net interest and dividends revenue (net of interest expense) and other revenue (loss), net. In the Partnership's Consolidated Statements of Income, fee revenue is composed of asset-based fees and account and activity fees. Asset-based fees include program fees which are based on the average daily market value of client assets in the program, as well as contractual rates. These fees are impacted by changes in market values of the assets and by client dollars invested in and divested from the accounts. Account and activity fees are impacted by the number of client accounts and the variety of services provided to those accounts, among other factors. Trade revenue is composed of commissions and principal transactions revenue. Commissions are earned from the distribution of mutual fund shares and insurance products and the purchase or sale of securities. Principal transactions revenue primarily results from the Partnership's distribution of and participation in principal trading activities in municipal obligations, certificates of deposit and corporate obligations. Trade revenue is impacted by the trading volume (client dollars invested), mix of the products in which clients invest and the size of trades, all of which may be impacted by market volatility, and margins earned on the transactions. Net interest and dividends revenue is impacted by the amount of cash and investments, receivables from and payables to clients, the variability of interest rates earned and paid on such balances, the number of Interests outstanding, and the balances of Partnership loans. Other revenue (loss), net, primarily consists of unrealized gains and losses associated with changes in the fair market value of investment securities, resulting from changes in market levels and the interest rate environment.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

OVERVIEW

The following table sets forth the changes in major categories of the Consolidated Statements of Income as well as several related key financial metrics for the three-month periods ended March 31, 2023 and March 25, 2022. Management of the Partnership relies on this financial information and the related metrics to evaluate the Partnership's operating performance and financial condition.

	Three Months Ended		
	March 31, 2023	March 25, 2022	% Change
Revenue:			
Fee revenue	\$ 2,685	\$ 2,675	—
% of net revenue	82%	88%	-7%
Trade revenue	340	389	-13%
% of net revenue	10%	13%	-23%
Interest and dividends	276	44	527%
Other revenue (loss), net	58	(52)	212%
Total revenue	3,359	3,056	10%
Interest expense	74	23	222%
Net revenue	3,285	3,033	8%
Operating expenses	2,884	2,672	8%
Income before allocations to partners	\$ 401	\$ 361	11%
Related metrics:			
Income before allocations to partners margin ⁽¹⁾	11.9%	11.8%	1%
Client assets under care (\$ billions):			
Total:			
At period end	\$ 1,728	\$ 1,746	-1%
Average	\$ 1,693	\$ 1,758	-4%
Advisory programs:			
At period end	\$ 657	\$ 674	-3%
Average	\$ 644	\$ 679	-5%
Client dollars invested (\$ billions) ⁽²⁾ :			
Trade	\$ 60	\$ 25	140%
Advisory programs	\$ 7	\$ 16	-56%
Client households at period end	6.2	6.0	3%
Net new households for the period (actual) ⁽³⁾	73,603	60,862	21%
Net new assets for the period (\$ billions) ⁽⁴⁾ :	\$ 33	\$ 19	73%
Financial advisors (actual):			
At period end	18,850	18,772	—
Average	18,826	18,799	—
Attrition % ⁽⁵⁾	5.2%	5.6%	-7%
Dow Jones Industrial Average (actual):			
At period end	33,274	34,861	-5%
Average for period	33,218	34,683	-4%
S&P 500 Index (actual):			
At period end	4,109	4,543	-10%
Average for period	3,998	4,461	-10%
Bloomberg Aggregate Bond Index (actual):			
At period end	100	106	-6%
Average for period	99	110	-10%

(1) Income before allocations to partners margin is income before allocations to partners expressed as a percentage of total revenue.

(2) Client dollars invested for trade revenue represents the principal amount of clients' buy and sell transactions resulting in revenue and for advisory programs revenue represents the net of the inflows and outflows of client dollars into advisory programs.

(3) Net new households represents new client households less client households closed during the period.

(4) Net new assets represents cash and securities inflows and outflows, excluding mutual fund capital gain distributions received by U.S. clients.

(5) Attrition % represents the annualized number of financial advisors that left the firm during the period compared to the total number of financial advisors as of period end.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

First Quarter 2023 versus First Quarter 2022 Overview

Even with continued market volatility, economic uncertainty, and the rising interest rate environment, the Partnership ended the first quarter of 2023 with a 73% increase in net new assets compared to the same period in 2022, reflecting growth in asset inflows and a 21% increase in net new households. The Partnership ended the first quarter of 2023 with 18,850 financial advisors, an increase of 78 compared to the first quarter of 2022.

The Partnership ended the first quarter of 2023 with \$1.7 trillion in client assets under care ("AUC"), a 1% decrease compared to the end of the first quarter of 2022, reflecting declines in market levels, partially offset by increases in net new assets. Average client AUC decreased 4% and advisory programs' average AUC decreased 5% in the first quarter of 2023 due to lower average market levels, partially offset by the cumulative impact of net new assets and client dollars invested in advisory programs, respectively.

Net revenue increased 8% to \$3,285 primarily due to increases in net interest and dividends revenue and other revenue, partially offset by a decrease in trade revenue. The increase in net interest and dividends revenue reflected rising interest rates. The increase in other revenue was due to unrealized gains on the Partnership's U.S. Treasury investment securities resulting from changes in long-term interest rate expectations in the market and certain securities reaching maturity, reversing the temporary unrealized losses in recent periods from rising interest rates. Other revenue also increased due to unrealized gains from the increase in the value of mutual fund investment securities held to economically hedge future liabilities for the non-qualified deferred compensation plan caused by higher market levels at the end of the first quarter of 2023 than at the end of 2022, in contrast with the drop in market levels that had resulted in unrealized losses in the first quarter of 2022. The unrealized gains related to the economic hedge were offset by higher financial advisor compensation expense. Trade revenue decreased due to a decrease in overall margin earned from a change in product mix with a large portion of client dollars invested in principal transaction products, primarily certificates of deposit, that earn significantly lower margins than other products.

Operating expenses increased 8% to \$2,884, primarily due to increases in home office and branch compensation and benefits and communications and data processing expenses as a result of the Partnership's intentional investments in human capital, technology infrastructure and digital initiatives to support its future objective of delivering comprehensive planning and advice for clients, as well as an increase in other operating expenses. Other operating expenses increased primarily due to increases in costs associated with resuming in-person meetings and events and legal.

Overall, the increase in net revenue, partially offset by the increase in operating expenses, led to income before allocations to partners increasing 11% to \$401. Income before allocations to partners margin was 11.9%, reflecting a strategic balance between investing in the future and current financial results.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND MARCH 25, 2022

The discussion below details the significant fluctuations and their drivers for each of the major categories of the Partnership's Consolidated Statements of Income.

Fee Revenue

Fee revenue, which consists of asset-based fees and account and activity fees, slightly increased to \$2,685 in the first quarter of 2023 compared to the same period in 2022. A discussion of fee revenue components follows.

	Three Months Ended		
	March 31, 2023	March 25, 2022	% Change
Fee revenue:			
Asset-based fee revenue:			
Advisory programs fees	\$ 1,847	\$ 1,927	-4%
Service fees	361	408	-12%
Cash solutions fees	135	8	1,588%
Other asset-based fees	158	160	-1%
Total asset-based fee revenue	2,501	2,503	—
Account and activity fee revenue:			
Shareholder accounting services fees	115	111	4%
Other account and activity fee revenue	69	61	13%
Total account and activity fee revenue	184	172	7%
Total fee revenue	\$ 2,685	\$ 2,675	—
Related metrics:			
Average U.S. client asset values (\$ billions) ⁽¹⁾ :			
Advisory programs	\$ 631.3	\$ 665.8	-5%
Mutual fund assets held outside of advisory programs	\$ 521.7	\$ 581.2	-10%
Insurance	\$ 76.9	\$ 87.1	-12%
Cash solutions	\$ 45.1	\$ 54.4	-17%

⁽¹⁾ Assets on which the Partnership earns asset-based fee revenue. The U.S. portion of consolidated asset-based fee revenue was approximately 98% for the periods presented.

Asset-based fee revenue slightly decreased to \$2,501 in the first quarter of 2023 compared to the same period in 2022, which was primarily due to decreases in revenue from advisory program fees and service fees, offset by an increase in revenue from cash solutions fees. Advisory programs revenue decreased due to the decrease in the average value of advisory program assets resulting from lower average market levels, partially offset by the cumulative impact of client dollars invested. Service fees revenue decreased due to the decrease in the average value of mutual fund assets held outside of advisory programs resulting from lower average market levels. Cash solutions fee revenue increased primarily due to higher interest margin earned on client assets invested in cash solutions and the absence of fee waivers that were incurred in the first quarter of 2022 to maintain a positive client yield on the Money Market Fund, in each case, resulting from higher interest rates.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Trade Revenue

Trade revenue, which consists of commissions and principal transactions, decreased 13% to \$340 in the first quarter of 2023 compared to the same period in 2022. A discussion of trade revenue components follows.

	Three Months Ended		
	March 31, 2023	March 25, 2022	% Change
Trade revenue:			
Commissions revenue:			
Equities	\$ 116	\$ 160	-28%
Mutual funds	100	154	-35%
Insurance products and other	72	64	13%
Total commissions revenue	\$ 288	\$ 378	-24%
Principal transactions	52	11	373%
Total trade revenue	\$ 340	\$ 389	-13%
Related metrics:			
Client dollars invested (\$ billions) ⁽¹⁾			
Equities	\$ 7.9 13%	\$ 11.3 44%	-30%
Mutual funds	5.7 10%	9.3 37%	-39%
Insurance products and other	2.4 4%	1.5 6%	60%
Principal transactions	43.5 73%	3.3 13%	1,218%
Total client dollars invested	\$ 59.5	\$ 25.4	134%
Margin per \$1,000 invested	\$ 5.7	\$ 15.3	-63%
U.S. business days	62	58	7%

⁽¹⁾ Percentages represent client dollars invested in each product as a percent of total client dollars invested.

The decrease in trade revenue in the first quarter of 2023 compared to the same period in 2022 was due to a decrease in mutual funds and equities commissions revenue and the overall margin earned, which was partially offset by an increase in principal transactions revenue. Mutual funds and equities commissions revenue decreased due to the decrease in client dollars invested in mutual funds and equities. Overall margin decreased due to a change in product mix with a large portion of client dollars invested in principal transaction products, primarily certificates of deposit, that earn significantly lower margins than other products. The shift in product mix and increase in principal transactions revenue was due to a significant increase in client dollars invested in fixed income products during the higher interest rate environment in the first quarter of 2023.

Net Interest and Dividends

Net interest and dividends revenue increased \$181 to \$202 in the first quarter of 2023 compared to the same period in 2022, primarily due to increases in interest income earned on investments and client margin loans, reflecting higher interest rates. The increase in interest and dividends revenue was partially offset by increases in customer credit interest expense, reflecting rising interest rates, and the minimum 7.5% annual return on the face amount of limited partnership capital paid to limited partners in accordance with the Partnership's Twenty-First Amended and Restated Agreement of Registered Limited Liability Limited Partnership, dated September 1, 2021 (the "Partnership Agreement"), which increased due to the issuance of \$568 of limited partnership interests ("Interests") in early 2023.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Operating Expenses

Operating expenses increased 8% to \$2,884 in the first quarter of 2023 compared to the same period in 2022 primarily due to increases in home office and branch compensation and benefits, communications and data processing and other operating expenses. A discussion of operating expense components follows.

	Three Months Ended		
	March 31, 2023	March 25, 2022	% Change
Operating expenses:			
Compensation and benefits:			
Financial advisor	\$ 1,270	\$ 1,229	3%
Home office and branch	565	444	27%
Variable compensation	412	475	-13%
Total compensation and benefits	2,247	2,148	5%
Communications and data processing	201	146	38%
Occupancy and equipment	151	143	6%
Fund sub-adviser fees	64	63	2%
Professional and consulting fees	45	40	13%
Other operating expenses	176	132	33%
Total operating expenses	<u>\$ 2,884</u>	<u>\$ 2,672</u>	<u>8%</u>
Related metrics (actual):			
Number of branches:			
At period end	15,801	15,576	1%
Average	15,799	15,549	2%
Financial advisors:			
At period end	18,850	18,772	—
Average	18,826	18,799	—
Branch team support members ⁽¹⁾ :			
At period end	18,046	17,646	2%
Average	17,983	17,595	2%
Home office associates ⁽¹⁾ :			
At period end	9,119	7,396	23%
Average	9,027	7,600	19%

⁽¹⁾ Counted on a full-time equivalent basis.

Financial advisor compensation and benefits expense increased 3% to \$1,270 in the first quarter of 2023. The increase in the first quarter of 2023 was primarily due to increases in travel incentive program costs, increased future liabilities as a result of corresponding unrealized gains related to the economic hedge for the non-qualified deferred compensation plan, increased compensation related to new assets and increased retirement transition plan costs, partially offset by a decrease in commissions expense due to the decrease in revenues on which commissions are earned.

Home office and branch compensation and benefits expense increased 27% to \$565 in the first quarter of 2023 due to an increase in the number of associates to support the Partnership's long-term growth objectives and higher average wages and healthcare costs.

Variable compensation expands and contracts in relation to the Partnership's profitability and margin earned. A significant portion of the Partnership's profits is allocated to variable compensation and paid to associates in the form of bonuses and profit sharing. The decrease in variable compensation of 13% to \$412 in the first quarter of 2023 was primarily due to a decrease in branch profitability.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Communications and data processing expenses increased 38% to \$201 in the first quarter of 2023 due to the Partnership's continued intentional investments in technology infrastructure and digital initiatives to support its future objective of delivering comprehensive planning and advice for clients.

Other operating expenses increased 33% to \$176 in the first quarter of 2023 primarily due to increases in costs associated with resuming in-person meetings and events and legal.

Segment Information

The Partnership has two operating and reportable segments based upon geographic location, the U.S. and Canada. Canada segment information, as reported in the following table, is based upon the consolidated financial statements of the Partnership's Canada operations. The U.S. segment information is derived from the Consolidated Financial Statements less the Canada segment information as presented. Pre-variable income represents income before variable compensation expense and before allocations to partners. This is consistent with how management views the segments to assess performance.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

The following table shows financial information for the Partnership's reportable segments.

	Three Months Ended		
	March 31, 2023	March 25, 2022	% Change
Net revenue:			
U.S.	\$ 3,190	\$ 2,944	8%
Canada	95	89	7%
Total net revenue	3,285	3,033	8%
Operating expenses (excluding variable compensation):			
U.S.	2,397	2,125	13%
Canada	75	72	4%
Total operating expenses	2,472	2,197	13%
Pre-variable income:			
U.S.	793	819	-3%
Canada	20	17	18%
Total pre-variable income	813	836	-3%
Variable compensation:			
U.S.	403	464	-13%
Canada	9	11	-18%
Total variable compensation	412	475	-13%
Income before allocations to partners:			
U.S.	390	355	10%
Canada	11	6	83%
Total income before allocations to partners	\$ 401	\$ 361	11%
Client assets under care (\$ billions):			
U.S.			
At period end	\$ 1,691.0	\$ 1,707.0	-1%
Average	\$ 1,656.7	\$ 1,719.0	-4%
Canada			
At period end	\$ 37.2	\$ 39.4	-6%
Average	\$ 36.6	\$ 38.8	-6%
Net new assets for the period (\$ billions):			
U.S.	\$ 32.8	\$ 18.2	80%
Canada	\$ 0.6	\$ 0.9	-33%
Financial advisors (actual):			
U.S.			
At period end	18,009	17,921	—
Average	17,987	17,947	—
Canada			
At period end	841	851	-1%
Average	839	852	-2%

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

U.S.

Net revenue increased 8% to \$3,190 in the first quarter of 2023 compared to the same period in 2022, primarily due to increases in net interest and dividend revenue and other revenue, partially offset by a decrease in trade revenue. Net interest and dividends revenue increased as a result of higher interest rates in the first quarter of 2023. The increase in other revenue was due to unrealized gains on the Partnership's U.S. Treasury investment securities resulting from changes in long-term interest rate expectations in the market and certain securities reaching maturity, reversing the temporary unrealized losses in recent periods from rising interest rates. Other revenue also increased due to unrealized gains from the increase in the value of mutual fund investment securities held to economically hedge future liabilities for the non-qualified deferred compensation plan caused by higher market levels at the end of the first quarter of 2023 than at the end of 2022, in contrast with the drop in market levels that had resulted in unrealized losses in the first quarter of 2022. The unrealized gains related to the economic hedge were offset by higher financial advisor compensation expense. Trade revenue decreased due to a decrease in overall margin earned from a change in product mix with a large portion of client dollars invested in principal transaction products, primarily certificates of deposit, that earn significantly lower margins than other products.

Operating expenses (excluding variable compensation) increased 13% to \$2,397 in the first quarter of 2023 compared to the same period in 2022, primarily due to increases in home office and branch compensation and benefits, communications and data processing and other operating expenses. Home office and branch compensation increased due to an increase in the number of associates to support the Partnership's long-term growth objectives and higher average wages and healthcare costs. The increase in communications and data processing expense was due to the Partnership's continued intentional investments in technology infrastructure and digital initiatives to support its future objective of delivering comprehensive planning and advice for clients. Other operating expenses increased due to increases in costs associated with resuming in-person meetings and events and legal.

Net income before allocations to partners increased 10% to \$390 in the first quarter of 2023 compared to the same period in 2022.

Canada

Net revenue increased 7% to \$95 in the first quarter of 2023 compared to the same period in 2022, primarily due to an increase in net interest and dividends revenue resulting from higher interest rates, partially offset by a decrease in asset-based fee revenue. Asset-based fee revenue decreased 6% to \$62, resulting from lower average market levels.

Operating expenses (excluding variable compensation) increased 4% to \$75 in the first quarter of 2023 compared to the same period in 2022, primarily due to increases in other operating expenses, including management fees and advertising costs.

Net income before allocations to partners increased \$5 to \$11 in the first quarter of 2023 compared to the same period in 2022.

LEGISLATIVE AND REGULATORY REFORM

As discussed more fully in Part I, Item 1A – Risk Factors – Risk Related to the Partnership's Business – Legislative and Regulatory Initiatives of the Partnership's Annual Report, the Partnership continues to monitor several proposed, potential and recently enacted federal and state legislation, rules and regulations.

MUTUAL FUNDS AND INSURANCE PRODUCTS

The Partnership estimates approximately 22% and 27% of its total revenue was derived from sales and services related to mutual fund and insurance products for the three-month periods ended March 31, 2023 and March 25, 2022, respectively.

Significant reductions in these revenues due to changes in the mutual funds industry affecting fee structures that result in decreased margins earned, regulatory reform or other changes to the Partnership's relationship with mutual fund or insurance companies could have a material adverse effect on the Partnership's results of operations, financial condition, and liquidity.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

LIQUIDITY AND CAPITAL RESOURCES

The Partnership requires liquidity to cover its operating expenses, net capital requirements, capital expenditures, distributions to partners and redemptions of Partnership interests, as well as to facilitate client transactions. The principal sources for meeting the Partnership's liquidity requirements include cash and cash equivalents, securities purchased under agreements to resell, government and agency investment securities, partnership capital and funds generated from operations, all discussed further below. The Partnership believes that the liquid nature of these sources provides flexibility for managing and financing the operating needs of the Partnership and will be sufficient to meet its capital and liquidity requirements for the next twelve months. Depending on conditions in the capital markets and other factors, the Partnership will, from time to time, consider the issuance of debt and additional Partnership capital, the proceeds of which could be used to meet growth needs or for other purposes.

Partnership Capital

The Partnership's growth in capital has historically been the result of the sale of Interests to its associates and existing limited partners, the sale of subordinated limited partnership interests to its current or retiring general partners, and retention of a portion of general partner earnings.

The Partnership filed a Registration Statement on Form S-8 with the U.S. Securities and Exchange Commission ("SEC") on December 8, 2021, to register \$700 of Interests issuable pursuant to the Partnership's 2021 Employee Limited Partnership Interest Purchase Plan (the "2021 Plan"). In early 2023, the Partnership issued \$568 of Interests under the 2021 Plan. Proceeds from the offering under the 2021 Plan are expected to be used to meet growth needs or for other purposes. The remaining \$132 of Interests may be issued at the discretion of the Managing Partner in the future.

The Partnership's capital subject to mandatory redemption as of March 31, 2023, net of reserve for anticipated withdrawals, was \$4,059, an increase of \$704 from December 31, 2022. This increase was primarily due to the additional capital contributions related to limited partner, subordinated limited partner and general partner interests (\$568, \$65 and \$312, respectively) and the retention of a portion of general partner earnings (\$39), partially offset by the net increase in Partnership loans outstanding (\$188) and the redemption of limited partner, subordinated limited partner and general partner interests (\$7, \$14 and \$71, respectively). During both of the three-month periods ended March 31, 2023 and March 25, 2022, the Partnership retained 13.8% of income allocated to general partners.

Under the terms of the Partnership Agreement, a partner's capital is required to be redeemed by the Partnership in the event of the partner's death, subject to compliance with ongoing regulatory capital requirements. In the event of a partner's death, the Partnership generally redeems the partner's capital within six months. The Partnership has restrictions in place which govern the withdrawal of capital. Under the terms of the Partnership Agreement, limited partners requesting withdrawal from the Partnership are repaid their capital in three equal annual installments beginning no earlier than 90 days after their withdrawal notice is received by the Managing Partner. The capital of general partners requesting withdrawal from the Partnership is converted to subordinated limited partnership capital or, at the discretion of the Managing Partner, redeemed by the Partnership. Subordinated limited partners requesting withdrawal are repaid their capital in six equal annual installments beginning no earlier than 90 days after their request for withdrawal of capital is received by the Managing Partner. The Managing Partner has discretion to waive or modify these withdrawal restrictions and to accelerate the return of capital.

The Partnership makes loans available to those general partners and, in limited circumstances, subordinated limited partners (in each case, other than members of the Enterprise Leadership Team ("ELT"), as defined in the Partnership Agreement), who require financing for some or all of their Partnership capital contributions. In limited circumstances, a general partner may withdraw from the Partnership and become a subordinated limited partner while they still have an outstanding Partnership loan. It is anticipated that, of the future general and subordinated limited partnership capital contributions (in each case, other than for ELT members) requiring financing, the majority will be financed through Partnership loans. Loans made by the Partnership to such partners are generally for a period of one year but are expected to be renewed and bear interest at the greater of the Prime Rate for the last business day of the prior fiscal month or 3.25% per annum. The Partnership recognizes interest income for the interest earned related to these loans. Partners borrowing from the Partnership will be required to repay such loans by applying the earnings received from the Partnership to such loans, net of amounts retained by the Partnership, amounts distributed for income taxes and 5% of earnings distributed to the partner. The Partnership has full recourse against any partner that defaults on loan obligations to the Partnership. The

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Partnership does not anticipate that partner loans will have an adverse impact on the Partnership's short-term liquidity or capital resources.

Any partner may also choose to have individual banking arrangements for their Partnership capital contributions. Any bank financing of capital contributions is in the form of unsecured bank loan agreements and is between the individual and the bank. The Partnership does not guarantee these bank loans, nor can the partner pledge their partnership interest as collateral for the bank loan. The Partnership performs certain administrative functions in connection with its limited partners who have elected to finance a portion of their Partnership capital contributions through individual unsecured bank loan agreements from banks with whom the Partnership has other banking relationships. For all limited partner capital contributions financed through such bank loan agreements, each agreement instructs the Partnership to apply the proceeds from the redemption of that individual's capital account to the repayment of the limited partner's bank loan prior to any funds being released to the partner. In addition, the partner is required to apply Partnership earnings, net of any distributions to pay taxes, to service the interest and principal on the bank loan. Should a partner's individual bank loan not be renewed upon maturity for any reason, the Partnership could experience increased requests for capital liquidations, which could adversely impact the Partnership's liquidity. In addition, partners who finance all or a portion of their capital contributions with bank financing may be more likely to request the withdrawal of capital to meet bank financing requirements should the partners experience a period of reduced earnings. As a partnership, any withdrawals by general partners, subordinated limited partners or limited partners would reduce the Partnership's available liquidity and capital.

Many of the same banks that provide financing to limited partners also provide financing to the Partnership. To the extent these banks increase credit available to the partners, financing available to the Partnership may be reduced.

The Partnership, while not a party to any partner unsecured bank loan agreements, does facilitate making payments of allocated income to certain banks on behalf of the limited partner. The following table represents amounts related to Partnership loans as well as bank loans (for which the Partnership facilitates certain administrative functions). Partners may have arranged their own bank loans to finance their Partnership capital for which the Partnership does not facilitate certain administrative functions and therefore any such loans are not included in the table.

	As of March 31, 2023			
	Limited Partnership Interests	Subordinated Limited Partnership Interests	General Partnership Interests	Total Partnership Interests
Total Partnership capital ⁽¹⁾	\$ 1,773	\$ 669	\$ 2,140	\$ 4,582
Partnership capital owned by partners with individual loans	\$ 864	\$ —	\$ 1,147	\$ 2,011
Partnership capital owned by partners with individual loans as a percent of total Partnership capital	49%	—	54%	44%
Individual loans:				
Individual bank loans	\$ 279	\$ —	\$ —	\$ 279
Individual Partnership loans	—	—	523	523
Total individual loans	\$ 279	\$ —	\$ 523	\$ 802
Individual loans as a percent of total Partnership capital	16%	—	24%	18%
Individual loans as a percent of respective Partnership capital owned by partners with loans	32%	—	46%	40%

⁽¹⁾ Total Partnership capital, as defined for this table, is before the reduction of Partnership loans and is net of reserve for anticipated withdrawals.

Historically, neither the amount of Partnership capital financed with individual loans as indicated in the table above, nor the amount of partner withdrawal requests, has had a significant impact on the Partnership's liquidity or capital resources.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Lines of Credit

The following table shows the composition of the Partnership's aggregate bank lines of credit in place as of:

	March 31, 2023	December 31, 2022
2022 Credit Facility	\$ 500	\$ 500
Uncommitted secured credit facilities	390	390
Total bank lines of credit	<u>\$ 890</u>	<u>\$ 890</u>

In accordance with the terms of the Partnership's \$500 committed revolving line of credit (the "2022 Credit Facility"), entered into in October 2022, the Partnership is required to maintain a leverage ratio of no more than 35% and minimum Partnership capital, net of reserve for anticipated withdrawals and Partnership loans, of at least \$2,809. In addition, Edward Jones is required to maintain a minimum tangible net worth of at least \$1,349 and minimum regulatory net capital of at least 6% of aggregate debit items as calculated under the alternative method. The Partnership has the ability to draw on various types of loans. The associated interest rate depends on the type of loan, duration of the loan and the Partnership's private credit rating. Contractual rates are based on an index rate plus the applicable spread. The 2022 Credit Facility is intended to provide short-term liquidity to the Partnership should the need arise. As of March 31, 2023, the Partnership was in compliance with all covenants related to the 2022 Credit Facility.

In addition, the Partnership has multiple uncommitted secured lines of credit totaling \$390 that are subject to change at the discretion of the banks. The Partnership has an additional uncommitted line of credit where the amount and the associated collateral requirements are at the bank's discretion in the event of a borrowing. Based on credit market conditions and the uncommitted nature of these credit facilities, it is possible that these lines of credit could decrease or not be available in the future. Actual borrowing capacity on secured lines is based on availability of client margin securities or firm-owned securities, which would serve as collateral on loans in the event the Partnership borrowed against these lines.

There were no amounts outstanding on the 2022 Credit Facility or the uncommitted lines of credit as of March 31, 2023 or December 31, 2022. In addition, the Partnership did not have any draws against these lines of credit during the three-month period ended March 31, 2023.

Cash Activity

As of March 31, 2023, the Partnership had \$1,940 in cash and cash equivalents and \$647 in securities purchased under agreements to resell, which generally have maturities of less than one week. This totaled \$2,587 of Partnership liquidity as of March 31, 2023, a 12% increase from \$2,319 as of December 31, 2022. The Partnership held \$400 and \$1,000 in government and agency obligations as of March 31, 2023 and December 31, 2022, respectively, primarily to help facilitate cash management and maintain firm liquidity. The Partnership had \$15,800 and \$17,827 in cash and investments segregated under federal regulations as of March 31, 2023 and December 31, 2022, respectively, which was not available for general use. The decrease in cash and investments segregated under federal regulations was primarily due to a decrease in cash held in clients' accounts, resulting in a corresponding decrease in payables to clients. Changes in cash were due to the daily client cash activity in relation to the weekly segregation requirement.

Regulatory Requirements

As a result of its activities as a U.S. broker-dealer, Edward Jones is subject to the net capital provisions of Rule 15c3-1 of the Exchange Act and capital compliance rules of the Financial Industry Regulatory Authority ("FINRA"). Under the alternative method permitted by the rules, Edward Jones must maintain minimum net capital equal to the greater of \$0.25 or 2% of aggregate debit items arising from client transactions. The net capital rules also provide that Edward Jones' partnership capital may not be withdrawn if resulting net capital would be less than minimum requirements. Additionally, certain withdrawals require the approval of the SEC and FINRA to the extent they exceed defined levels, even though such withdrawals would not cause net capital to be less than minimum requirements.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

EJ Canada is a registered broker-dealer regulated by the New Self-Regulatory Organization of Canada ("New SRO") in 2023, and previously was regulated by the Investment Industry Regulatory Organization of Canada ("IIROC") in 2022. Under the regulations prescribed by IIROC through December 31, 2022 and the New SRO thereafter, EJ Canada was and is required to maintain minimum levels of risk-adjusted capital, which are dependent on the nature of EJ Canada's assets and operations.

The following table shows the Partnership's capital figures for the U.S. and Canada broker-dealer subsidiaries as of:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>% Change</u>
U.S.:			
Net capital	\$ 1,101	\$ 1,038	6%
Net capital in excess of the minimum required	\$ 1,032	\$ 965	7%
Net capital as a percentage of aggregate debit items	31.9%	28.4%	12%
Net capital after anticipated capital withdrawals, as a percentage of aggregate debit items	15.4%	13.3%	16%
Canada:			
Regulatory risk-adjusted capital	\$ 112	\$ 103	9%
Regulatory risk-adjusted capital in excess of the minimum required	\$ 111	\$ 102	9%

U.S. net capital, Canada regulatory risk-adjusted capital and the related capital percentages may fluctuate on a daily basis.

THE EFFECTS OF INFLATION

The Partnership's net assets are primarily monetary, consisting of cash and cash equivalents, cash and investments segregated under federal regulations, firm-owned securities, and receivables, less liabilities. Monetary net assets are primarily liquid in nature and would not be significantly affected by inflation. Inflation and future expectations of inflation influence securities prices, as well as activity levels in the securities markets. As a result, profitability and capital may be impacted by inflation and inflationary expectations. Additionally, inflation's impact on the Partnership's operating expenses may affect profitability to the extent that additional costs are not recovered through attracting new clients, gathering new assets or raising prices of services offered by the Partnership to increase revenue.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and in particular Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of U.S. securities laws. You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "project," "will," "should," and other expressions which predict or indicate future events and trends and which do not relate to historical matters. You should not rely on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the Partnership. These risks, uncertainties and other factors may cause the actual results, performance or achievements of the Partnership to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Some of the factors that might cause differences between forward-looking statements and actual events include, but are not limited to, the following: (1) general economic conditions, including inflation, an economic downturn, a recession or volatility in the U.S. and/or global securities markets, actions of the U.S. Federal Reserve and/or central banks outside of the United States and economic effects of international geopolitical conflicts, the U.S. federal debt ceiling, widespread health epidemics or pandemics or other major world events; (2) actions of competitors; (3) the Partnership's ability to attract and retain qualified financial advisors and other employees; (4) changes in interest rates; (5) regulatory actions; (6) changes in legislation or regulation; (7) litigation; (8) the ability of clients, other broker-dealers, banks, depositories and clearing organizations to fulfill contractual obligations; (9) changes in technology and other technology-related risks; (10) a fluctuation or decline in the fair value of securities; and (11) the risks discussed under Part I, Item 1A – Risk Factors in the Partnership's Annual Report, as supplemented by Part II, Item 1A – Risk Factors in this Quarterly Report on Form 10-Q. These forward-looking statements were based on information, plans, and estimates at the date of this report, and the Partnership does not undertake to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Various levels of management within the Partnership manage the Partnership's risk exposure. Position limits in inventory accounts are established and monitored on an ongoing basis. Credit risk related to various financing activities is reduced by the industry practice of obtaining and maintaining collateral. The Partnership monitors its exposure to counterparty risk through the use of credit exposure information, the monitoring of collateral values and the establishment of credit limits. For further discussion of monitoring, see the Risk Management discussion in Part III, Item 10 – Directors, Executive Officers and Corporate Governance of the Partnership's Annual Report.

The Partnership is exposed to market risk from changes in interest rates. Such changes in interest rates impact the income from interest-earning assets, primarily client margin loans and investments, which are primarily comprised of cash and cash equivalents, investments segregated under federal regulations, government and agency obligations and securities purchased under agreements to resell, and investments segregated under federal regulations. Client margin loans and investments averaged \$3.6 billion and \$20.2 billion, respectively, for the three-month period ended March 31, 2023 and earned interest at an average annual rate of approximately 752 and 374 basis points (7.52% and 3.74%), respectively, during the first quarter of 2023. Changes in interest rates also have an impact on the expense related to the liabilities that finance these assets, such as amounts payable to clients.

The Partnership performed an analysis of its financial instruments and assessed the related interest rate risk and materiality in accordance with the SEC rules. Under current market conditions and based on current levels of interest-earning assets and the liabilities that finance these assets, the Partnership estimates that a 100-basis point (1.00%) increase or decrease in short-term interest rates could increase or decrease, respectively, its annual net interest income by approximately \$134 million.

ITEM 4. CONTROLS AND PROCEDURES

The Partnership maintains a system of disclosure controls and procedures which are designed to ensure that information required to be disclosed by the Partnership in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the Partnership's certifying officers, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation performed as of the end of the period covered by this report, the Partnership's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have concluded that the Partnership's disclosure controls and procedures were effective as of March 31, 2023.

There have been no changes in the Partnership's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Part I, Item 1, Note 8 supplements the discussion in Item 3 – Legal Proceedings in the Partnership's Annual Report.

ITEM 1A. RISK FACTORS

For information regarding risk factors affecting the Partnership, please see the language in Part I, Item 2 – Forward-looking Statements of this Quarterly Report on Form 10-Q and the discussions in Part I, Item 1A – Risk Factors of the Partnership's Annual Report. The following risk factor supplements the risk factors in Part I, Item 1A – Risk Factors – Risks Related to the Partnership's Business of the Partnership's Annual Report.

INSTABILITY IN THE BANKING INDUSTRY - The recent closures of certain banks have led to uncertainty and volatility in the markets and the banking industry. The failure of additional banks or instability in the banking industry could have a material negative effect on the Partnership's profitability, liquidity and operations.

Recent bank closures have raised industry-wide concerns regarding possible further instability in the banking industry. Continued market volatility may result in decreases in revenue, adversely impacting the Partnership's profitability. The Partnership maintains cash balances at several financial institutions, often with balances in excess of the Federal Deposit Insurance Corporation insurance coverage limits. Future sudden or significant adverse developments that affect the financial institutions the Partnership or its clients do business with, or that lead to widespread disruption in the broader financial services industry or economy, may directly or indirectly cause the Partnership to experience reduced liquidity and losses and could negatively impact the Partnership's operations and ability to meet its obligations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Following the issuance of subordinated limited partnership interests ("SLP Interests") reflected in the Current Report on Form 8-K filed by the Partnership on January 11, 2023, the Partnership issued an additional \$5.4 million of SLP Interests to retiring general partners during the first quarter of 2023. The Partnership issued the SLP Interests pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, in privately negotiated transactions and not pursuant to a public offering or solicitation.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	* Twenty-first Amended and Restated Agreement of Registered Limited Liability Limited Partnership, dated September 1, 2021, incorporated by reference from Exhibit 3.1 to The Jones Financial Companies, L.L.L.P. Form 8-K dated September 7, 2021.
3.2	* Twenty-Second Amended and Restated Certificate of Limited Partnership of the Jones Financial Companies, L.L.L.P., dated February 22, 2022, incorporated by reference from Exhibit 3.2 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 25, 2022.
3.3	* First Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated March 24, 2022, incorporated by reference from Exhibit 3.3 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 25, 2022.
3.4	* Second Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated April 20, 2022, incorporated by reference from Exhibit 3.4 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 25, 2022.
3.5	* Third Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated May 24, 2022, incorporated by reference from Exhibit 3.5 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 24, 2022.
3.6	* Fourth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated June 23, 2022, incorporated by reference from Exhibit 3.6 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 24, 2022.
3.7	* Fifth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated July 21, 2022, incorporated by reference from Exhibit 3.7 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 24, 2022.
3.8	* Sixth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated September 15, 2022, incorporated by reference from Exhibit 3.8 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended September 30, 2022.
3.9	* Seventh Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated October 16, 2022, incorporated by reference from Exhibit 3.9 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended September 30, 2022.
3.10	* Eighth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated November 21, 2022, incorporated by reference from Exhibit 3.10 to The Jones Financial Companies, L.L.L.P. Form 10-K for the year ended December 31, 2022.
3.11	* Ninth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated December 21, 2022, incorporated by reference from Exhibit 3.11 to The Jones Financial Companies, L.L.L.P. Form 10-K for the year ended December 31, 2022.
3.12	* Tenth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated January 25, 2023, incorporated by reference from Exhibit 3.12 to The Jones Financial Companies, L.L.L.P. Form 10-K for the year ended December 31, 2022.
3.13	* Eleventh Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated February 23, 2023, incorporated by reference from Exhibit 3.13 to The Jones Financial Companies, L.L.L.P. Form 10-K for the year ended December 31, 2022.

PART II. OTHER INFORMATION

Item 6. Exhibits, continued

- | | |
|---------|--|
| 3.14 | ** Twelfth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated March 16, 2023. |
| 3.15 | ** Thirteenth Amendment of Twenty-Second Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated April 18, 2023. |
| 31.1 | ** Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | ** Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | ** Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | ** Certification of Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | ** Inline XBRL Instance Document |
| 101.SCH | ** Inline XBRL Taxonomy Extension Schema |
| 101.CAL | ** Inline XBRL Taxonomy Extension Calculation |
| 101.DEF | ** Inline XBRL Extension Definition |
| 101.LAB | ** Inline XBRL Taxonomy Extension Label |
| 101.PRE | ** Inline XBRL Taxonomy Extension Presentation |
| 104 | ** Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101). |

* Incorporated by reference to previously filed exhibits.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE JONES FINANCIAL COMPANIES, L.L.L.P.

By: /s/ Penny Pennington
Penny Pennington
Managing Partner (Principal Executive Officer)
May 9, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Penny Pennington</u> Penny Pennington	Managing Partner (Principal Executive Officer)	May 9, 2023
<u>/s/ Andrew T. Miedler</u> Andrew T. Miedler	Chief Financial Officer (Principal Financial and Accounting Officer)	May 9, 2023

**TWELFTH AMENDMENT OF TWENTY-SECOND AMENDED AND RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
THE JONES FINANCIAL COMPANIES, L.L.L.P.**

The undersigned, for the purpose of amending the Twenty-Second Amended and Restated Certificate of Limited Partnership under the Missouri Revised Uniform Limited Partnership Act, states the following:

- (1) The name of the limited partnership is The Jones Financial Companies, L.L.L.P., and the limited partnership's charter number is LP0000443.
- (2) The partnership filed the Twenty-Second Amended and Restated Certificate of Limited Partnership with the Missouri Secretary of State on March 18, 2022.
- (3) The Twenty-Second Amended and Restated Certificate of Limited Partnership is hereby amended to reflect the general partner admissions and withdrawals attached hereto on Exhibit A effective as of the dates listed on Exhibit A.

Upon the admissions and withdrawals of said partners, the number of general partners is 604.

In affirmation thereof, the facts stated above are true.

Dated: March 16, 2023

General Partner:

By /s/ Penny Pennington
Penny Pennington
Managing Partner/Authorized Person/Attorney-in-Fact

Withdrawn General Partners:			
Partner Name	Date Withdrawn as General Partner	Address 1 & 2	City, State & Zip
Christopher N Lewis Revocable Living Trust	3/1/2022	12555 Manchester Road	St. Louis, MO 63131
Powitzky Revocable Trust	3/1/2022	12555 Manchester Road	St. Louis, MO 63131
Admitted General Partners:			
Partner Name	Date Admitted as General Partner	Address 1 & 2	City, State & Zip
Carr, Maurice Howard	3/1/2022	12555 Manchester Road	St. Louis, MO 63131
Elizabeth S. Powitzky Revocable Trust	3/1/2022	12555 Manchester Road	St. Louis, MO 63131
Hopper, Jessica Baez	3/1/2022	12555 Manchester Road	St. Louis, MO 63131
The Carla M. Palamone Living Trust	3/1/2022	12555 Manchester Road	St. Louis, MO 63131

**THIRTEENTH AMENDMENT OF TWENTY-SECOND AMENDED AND RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
THE JONES FINANCIAL COMPANIES, L.L.L.P.**

The undersigned, for the purpose of amending the Twenty-Second Amended and Restated Certificate of Limited Partnership under the Missouri Revised Uniform Limited Partnership Act, states the following:

- (1) The name of the limited partnership is The Jones Financial Companies, L.L.L.P., and the limited partnership's charter number is LP0000443.
- (2) The partnership filed the Twenty-Second Amended and Restated Certificate of Limited Partnership with the Missouri Secretary of State on March 18, 2022.
- (3) The Twenty-Second Amended and Restated Certificate of Limited Partnership is hereby amended to reflect the general partner admissions and withdrawals attached hereto on Exhibit A effective as of the dates listed on Exhibit A.

Upon the admissions and withdrawals of said partners, the number of general partners is 606.

In affirmation thereof, the facts stated above are true.

Dated: April 18, 2023

General Partner:

By /s/ Penny Pennington
Penny Pennington
Managing Partner/Authorized Person/Attorney-in-Fact

Withdrawn General Partners:			
Partner Name	Date Withdrawn as General Partner	Address 1 & 2	City, State & Zip
Dolan, Lisa Marie	4/1/2023	12555 Manchester Road	St. Louis, MO 63131
Elizabeth S. Powitzky Revocable Trust	4/1/2023	12555 Manchester Road	St. Louis, MO 63131
Haskell, Kelly Rae	4/1/2023	12555 Manchester Road	St. Louis, MO 63131
Admitted General Partners:			
Partner Name	Date Admitted as General Partner	Address 1 & 2	City, State & Zip
Griesser, William	4/1/2023	12555 Manchester Road	St. Louis, MO 63131
Jason and Kelly Rae Haskell Living Trust Dated 1/23/23	4/1/2023	12555 Manchester Road	St. Louis, MO 63131
Klein, Christian Guy	4/1/2023	12555 Manchester Road	St. Louis, MO 63131
Lisa M. Dolan Revocable Living Trust dated January 23, 2023	4/1/2023	12555 Manchester Road	St. Louis, MO 63131
Pemberton, Joel Robert	4/1/2023	12555 Manchester Road	St. Louis, MO 63131

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Penny Pennington, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Jones Financial Companies, L.L.P. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Penny Pennington

Chief Executive Officer

The Jones Financial Companies, L.L.P.

May 9, 2023

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Andrew T. Miedler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Jones Financial Companies, L.L.P. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Andrew T. Miedler

Chief Financial Officer

The Jones Financial Companies, L.L.P.

May 9, 2023

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The Jones Financial Companies, L.L.P. (the "Registrant") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Penny Pennington, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Penny Pennington
Chief Executive Officer
The Jones Financial Companies, L.L.P.
May 9, 2023

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The Jones Financial Companies, L.L.P. (the "Registrant") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew T. Miedler, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Andrew T. Miedler
Chief Financial Officer
The Jones Financial Companies, L.L.P.
May 9, 2023