
**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 28, 2014

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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

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 25, 2014, 638,186 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.L.P.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

<i>(Dollars in millions)</i>	<u>March 28,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
ASSETS:		
Cash and cash equivalents	\$ 559	\$ 600
Cash and investments segregated under federal regulations	8,251	8,435
Securities purchased under agreements to resell	675	1,026
Receivable from:		
Clients	2,353	2,300
Mutual funds, insurance companies and other	483	405
Brokers, dealers and clearing organizations	140	148
Securities owned, at fair value:		
Inventory securities	96	102
Investment securities	138	141
Equipment, property and improvements, at cost, net of accumulated depreciation and amortization	547	543
Other assets	71	95
TOTAL ASSETS	<u>\$ 13,313</u>	<u>\$ 13,795</u>
LIABILITIES:		
Payable to:		
Clients	\$ 10,261	\$ 10,596
Brokers, dealers and clearing organizations	131	79
Accrued compensation and employee benefits	665	843
Accounts payable, accrued expenses and other	158	142
Long-term debt	4	4
	<u>11,219</u>	<u>11,664</u>
Liabilities subordinated to claims of general creditors	50	50
Contingencies (Note 6)		
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals	1,887	1,858
Reserve for anticipated withdrawals	157	223
Total partnership capital subject to mandatory redemption	<u>2,044</u>	<u>2,081</u>
TOTAL LIABILITIES	<u>\$ 13,313</u>	<u>\$ 13,795</u>

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.L.P.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	<i>Three Months Ended</i>	
	<u>March 28, 2014</u>	<u>March 29, 2013</u>
<i>(Dollars in millions, except per unit information and units outstanding)</i>		
Revenue:		
Fee revenue		
Asset-based	\$ 715	\$ 570
Account and activity	144	139
Total fee revenue	<u>859</u>	<u>709</u>
Trade revenue		
Commissions	533	540
Principal transactions	41	27
Investment banking	36	27
Total trade revenue	<u>610</u>	<u>594</u>
Interest and dividends	31	32
Other revenue	4	16
Total revenue	<u>1,504</u>	<u>1,351</u>
Interest expense	14	15
Net revenue	<u>1,490</u>	<u>1,336</u>
Operating expenses:		
Compensation and benefits	992	887
Occupancy and equipment	92	90
Communications and data processing	71	73
Payroll and other taxes	63	58
Advertising	19	17
Postage and shipping	13	13
Professional and consulting fees	13	9
Other operating expenses	41	40
Total operating expenses	<u>1,304</u>	<u>1,187</u>
Income before allocations to partners	186	149
Allocations to partners:		
Limited partners	20	17
Subordinated limited partners	21	17
General partners	145	115
Net Income	<u>\$ —</u>	<u>\$ —</u>
Income allocated to limited partners per weighted average \$1,000 equivalent limited partnership unit outstanding	<u>\$ 31.27</u>	<u>\$ 26.72</u>
Weighted average \$1,000 equivalent limited partnership units outstanding	<u>639,239</u>	<u>648,915</u>

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.L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERSHIP CAPITAL
SUBJECT TO MANDATORY REDEMPTION
THREE MONTHS ENDED MARCH 28, 2014 AND MARCH 29, 2013
(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>
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, DEC 31, 2012	\$ 696	\$ 302	\$ 985	\$1,983
Reserve for anticipated withdrawals	(45)	(19)	(107)	(171)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, Dec 31, 2012	\$ 651	\$ 283	\$ 878	\$1,812
Partnership loans outstanding, Dec 31, 2012	—	—	170	170
Total partnership capital, including capital financed with partnership loans, net of reserve for anticipated withdrawals, Dec 31, 2012	651	283	1,048	1,982
Issuance of partnership interests	—	31	101	132
Redemption of partnership interests	(3)	(9)	(92)	(104)
Income allocated to partners	17	17	115	149
Distributions	—	(1)	(6)	(7)
Total partnership capital, including capital financed with partnership loans	665	321	1,166	2,152
Partnership loans outstanding, Mar 29, 2013	—	—	(249)	(249)
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, MAR 29, 2013	\$ 665	\$ 321	\$ 917	\$1,903
Reserve for anticipated withdrawals	(17)	(16)	(93)	(126)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, Mar 29, 2013	\$ 648	\$ 305	\$ 824	\$1,777
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, DEC 31, 2013	\$ 688	\$ 329	\$ 1,064	\$2,081
Reserve for anticipated withdrawals	(48)	(24)	(151)	(223)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, Dec 31, 2013	\$ 640	\$ 305	\$ 913	\$1,858
Partnership loans outstanding, Dec 31, 2013	—	—	215	215
Total partnership capital, including capital financed with partnership loans, net of reserve for anticipated withdrawals, Dec 31, 2013	640	305	1,128	2,073
Issuance of partnership interests	—	46	92	138
Redemption of partnership interests	(1)	(14)	(89)	(104)
Income allocated to partners	20	21	145	186
Distributions	—	(1)	(8)	(9)
Total partnership capital, including capital financed with partnership loans	659	357	1,268	2,284
Partnership loans outstanding, Mar 28, 2014	—	(2)	(238)	(240)
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, MAR 28, 2014	\$ 659	\$ 355	\$ 1,030	\$2,044
Reserve for anticipated withdrawals	(20)	(20)	(117)	(157)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, Mar 28, 2014	\$ 639	\$ 335	\$ 913	\$1,887

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.L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(Dollars in millions)</i>	<i>Three Months Ended</i>	
	<u>March 28, 2014</u>	<u>March 29, 2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ —	\$ —
Adjustments to reconcile net income to net cash provided by operating activities:		
Income before allocations to partners	186	149
Depreciation and amortization	20	20
Changes in assets and liabilities:		
Cash and investments segregated under federal regulations	184	118
Securities purchased under agreements to resell	351	479
Net payable to clients	(388)	(608)
Net receivable from brokers, dealers and clearing organizations	60	113
Receivable from mutual funds, insurance companies and other	(78)	(79)
Securities owned	9	(77)
Other assets	24	8
Accrued compensation and employee benefits	(178)	(101)
Accounts payable, accrued expenses and other	16	8
Net cash provided by operating activities	<u>206</u>	<u>30</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, property and improvements, net	(24)	(24)
Net cash used in investing activities	<u>(24)</u>	<u>(24)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of partnership interests (net of partnership loans)	54	38
Redemption of partnership interests	(104)	(104)
Distributions from partnership capital	(232)	(178)
Issuance of partnership loans	—	(11)
Repayment of partnership loans	59	26
Net cash used in financing activities	<u>(223)</u>	<u>(229)</u>
Net decrease in cash and cash equivalents	(41)	(223)
CASH AND CASH EQUIVALENTS:		
Beginning of period	600	601
End of period	<u>\$ 559</u>	<u>\$ 378</u>
Cash paid for interest	<u>\$ 13</u>	<u>\$ 13</u>
Cash paid for taxes	<u>\$ 2</u>	<u>\$ 2</u>
NON-CASH ACTIVITIES:		
Additions of equipment, property and improvements in accounts payable and accrued expenses	<u>\$ 4</u>	<u>\$ —</u>
Issuance of general partnership interests through partnership loans in current period	<u>\$ 84</u>	<u>\$ 94</u>

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.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.L.P. and all wholly-owned subsidiaries (collectively, the “Partnership”). All material intercompany balances and transactions have been eliminated in consolidation. Non-controlling minority interests are accounted for under the equity method. The results of the Partnership’s subsidiaries in Canada are included in the Partnership’s Consolidated Financial Statements for the three month periods ended February 28, 2014 and 2013 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 comprised of two registered broker-dealers primarily serving individual investors in the United States (“U.S.”) and, through a subsidiary, Canada. Edward Jones primarily derives its revenues from the retail brokerage business through the sale of listed and unlisted securities and insurance products, investment banking, principal transactions, distribution of mutual fund shares, and through fees related to assets held by and account services provided to its clients. 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 28, 2014 and March 29, 2013, see Note 7 to the Consolidated Financial Statements. Trust services are offered to Edward Jones’ U.S. clients through Edward Jones Trust Company (“EJTC”), a wholly-owned subsidiary of the Partnership.

The Consolidated Financial Statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the U.S. (“GAAP”) 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.

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 presentation of the results of interim operations. Certain prior period amounts have been reclassified to conform to the current period presentation.

There have been no material changes to the Partnership’s significant accounting policies as described in the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2013 (“Annual Report”). The results of operations for the three month period ended March 28, 2014 are not necessarily indicative of the results to be expected for the year ended December 31, 2014. These Consolidated Financial Statements should be read in conjunction with the Annual Report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 2 – FAIR VALUE

Substantially all of the Partnership's financial assets and financial liabilities covered under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 820, *Fair Value Measurement and Disclosure* ("ASC 820"), are carried at fair value or contracted amounts which approximate fair value. Upon the adoption of fair value guidance set forth in FASB ASC No. 825, *Financial Instruments*, the Partnership elected not to take the fair value option on all debt and liabilities subordinated to the claims of general creditors.

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, also known as the "exit price." Financial assets are marked to bid prices and financial liabilities are marked to offer prices. The Partnership's financial assets and financial liabilities recorded at fair value in the Consolidated Statements of Financial Condition are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by ASC 820 with the related amount of subjectivity associated with the inputs to value these assets and liabilities at fair value for each level, are as follows:

Level I – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

The types of assets and liabilities categorized as Level I generally are U.S. treasuries, investments in publicly traded mutual funds with quoted market prices, government and agency obligations, and equities listed in active markets.

Level II – Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with related market data at the measurement date and for the duration of the instrument's anticipated life. The Partnership uses the market approach valuation technique which incorporates third-party pricing services and other relevant observable information (such as market interest rates, yield curves, prepayment risk and credit risk generated by market transactions involving identical or comparable assets or liabilities) in valuing these types of investments. When third-party pricing services are used, the methods and assumptions used are reviewed by the Partnership.

The types of assets and liabilities categorized as Level II generally are certificates of deposit, state and municipal obligations, and corporate bonds and notes.

Level III – Inputs are both unobservable and significant to the overall fair value measurement. These inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the inputs to the model.

The Partnership did not have any assets or liabilities categorized as Level III during the periods ended March 28, 2014 and December 31, 2013. In addition, there were no transfers into or out of Levels I, II or III during these periods. Securities sold, not yet purchased are included within accounts payable, accrued expenses and other on the Consolidated Statements of Financial Condition.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

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

	Financial Assets at Fair Value as of March 28, 2014			
	Level I	Level II	Level III	Total
Investments segregated under federal regulations:				
U.S. treasuries	\$1,152	\$ —	\$ —	\$1,152
Certificates of deposit	—	225	—	225
Total investments segregated under federal regulations	<u>\$1,152</u>	<u>\$ 225</u>	<u>\$ —</u>	<u>\$1,377</u>
Securities owned:				
Inventory securities:				
State and municipal obligations	\$ —	\$ 54	\$ —	\$ 54
Equities	37	—	—	37
Corporate bonds and notes	—	3	—	3
Other	1	1	—	2
Total inventory securities	<u>\$ 38</u>	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 96</u>
Investment securities:				
Mutual funds	\$ 113	\$ —	\$ —	\$ 113
Government and agency obligations	19	—	—	19
Equities	5	—	—	5
Other	—	1	—	1
Total investment securities	<u>\$ 137</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 138</u>
Financial Liabilities at Fair Value as of March 28, 2014				
	Level I	Level II	Level III	Total
Securities sold, not yet purchased:				
Corporate bonds and notes	\$ —	\$ 2	\$ —	\$ 2
Equities	1	—	—	1
Other	—	1	—	1
Total securities sold, not yet purchased	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 4</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

	Financial Assets at Fair Value as of December 31, 2013			
	Level I	Level II	Level III	Total
Investments segregated under federal regulations:				
U.S. treasuries	\$1,154	\$ —	\$ —	\$1,154
Certificates of deposit	—	225	—	225
Total investments segregated under federal regulations	<u>\$1,154</u>	<u>\$ 225</u>	<u>\$ —</u>	<u>\$1,379</u>
Securities owned:				
Inventory securities:				
State and municipal obligations	\$ —	\$ 67	\$ —	\$ 67
Equities	27	—	—	27
Corporate bonds and notes	—	3	—	3
Certificates of deposit	—	2	—	2
Unit investment trusts	2	—	—	2
Other	—	1	—	1
Total inventory securities	<u>\$ 29</u>	<u>\$ 73</u>	<u>\$ —</u>	<u>\$ 102</u>
Investment securities:				
Mutual funds	\$ 116	\$ —	\$ —	\$ 116
Government and agency obligations	19	—	—	19
Equities	5	—	—	5
Other	—	1	—	1
Total investment securities	<u>\$ 140</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 141</u>
Financial Liabilities at Fair Value as of December 31, 2013				
	Level I	Level II	Level III	Total
Securities sold, not yet purchased:				
Corporate bonds and notes	\$ —	\$ 2	\$ —	\$ 2
Equities	1	—	—	1
Other	—	1	—	1
Total securities sold, not yet purchased	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 4</u>

The Partnership attempts to reduce its exposure to market price fluctuations of its inventory securities through the sale of U.S. government securities and, to a limited extent, the sale of fixed income futures contracts. The amount of the securities purchased or sold fluctuates on a daily basis due to changes in inventory securities owned, interest rates and market conditions. Futures contracts are settled daily, and any gain or loss is recognized as a component of net inventory gains, which are included in principal transactions revenue. The notional amounts of futures contracts outstanding were \$6 and \$9 at March 28, 2014 and December 31, 2013, respectively. The average notional amounts of futures contracts outstanding throughout the three month period ended March 28, 2014 and the year ended December 31, 2013 were approximately \$6 and \$7, respectively. The underlying assets of these contracts are not reflected in the Partnership's Consolidated Financial Statements; however, the related mark-to-market adjustments are included in investment securities in the Consolidated Statements of Financial Condition and were gains of \$0.029 and \$0.031 as of March 28, 2014 and December 31, 2013, respectively. The total losses related to these assets, recorded within the Consolidated Statements of Income, were \$0.323 and \$0.220 for the three month periods ended March 28, 2014 and March 29, 2013, respectively.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

The Partnership estimates the fair value of long-term debt and the liabilities subordinated to claims of general creditors based on the present value of future principal and interest payments associated with the debt, using current interest rates for debt of a similar nature as that of the Partnership (Level II input). The following table shows the estimated fair values and book values of long-term debt and liabilities subordinated to claims of general creditors as of:

	<u>March 28, 2014</u>		<u>December 31, 2013</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Long-term debt	\$ 4	\$ 4	\$ 4	\$ 5
Liabilities subordinated to claims of general creditors	50	50	50	50
Total	<u>\$ 54</u>	<u>\$ 54</u>	<u>\$ 54</u>	<u>\$ 55</u>

NOTE 3 – LINES OF CREDIT

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

	<u>March 28, 2014</u>	<u>December 31, 2013</u>
2013 Credit Facility	\$ 400	\$ 400
Uncommitted secured credit facilities	415	415
Total lines of credit	<u>\$ 815</u>	<u>\$ 815</u>

In November 2013, the Partnership entered into an agreement with 12 banks for a five-year \$400 committed unsecured revolving line of credit (“2013 Credit Facility”), which has an expiration date of November 15, 2018 and replaced a similarly termed credit facility. The 2013 Credit Facility is intended to provide short-term liquidity to the Partnership should the need arise. The 2013 Credit Facility has a tiered interest rate margin based on the Partnership’s leverage ratio (ratio of total debt to total capitalization). Borrowings made with a three-day advance notice will have a rate of one-month LIBOR plus a margin ranging from 1.25% to 2.00%. Same day borrowings, which are subject to certain borrowing notification cutoff times, will have a rate consisting of a margin ranging from 0.25% to 1.00% plus the greater of the prime rate, the federal funds effective rate plus 1.00%, or the one-month LIBOR rate plus 1.00%. In accordance with the terms of the 2013 Credit Facility, the Partnership is required to maintain a leverage ratio of no more than 35% and minimum partnership capital, net of reserve for anticipated withdrawals, of at least \$1,382 plus 50% of subsequent issuances of partnership capital. As of March 28, 2014, the Partnership was in compliance with all covenants related to the 2013 Credit Facility. As of the date of this filing, the Partnership has not borrowed against the 2013 Credit Facility.

The Partnership’s uncommitted lines of credit are subject to change at the discretion of the banks and, therefore, due to credit market conditions and the uncommitted nature of these credit facilities, it is possible these lines of credit could decrease or not be available in the future. Actual borrowing availability on the uncommitted lines of credit is based on client margin securities and Partnership securities, which would serve as collateral in the event the Partnership borrowed against these lines.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

There were no amounts outstanding on these lines of credit as of March 28, 2014 and December 31, 2013. In addition, the Partnership did not have any draws against these lines of credit during the three and twelve month periods ended March 28, 2014 and December 31, 2013, respectively.

NOTE 4 – PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION

The following table shows the Partnership’s capital subject to mandatory redemption as of:

	March 28, 2014	December 31, 2013
Partnership capital outstanding:		
Limited partnership capital	\$ 639	\$ 640
Subordinated limited partnership capital	337	305
General partnership capital	1,151	1,128
Total partnership capital outstanding	<u>2,127</u>	<u>2,073</u>
Partnership loans outstanding:		
Partnership loans outstanding at beginning of period	(215)	(170)
Partnership loans issued during the period	(84)	(107)
Repayment of partnership loans during the period	59	62
Total partnership loans outstanding	<u>(240)</u>	<u>(215)</u>
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals	1,887	1,858
Reserve for anticipated withdrawals	157	223
Partnership capital subject to mandatory redemption	<u>\$ 2,044</u>	<u>\$ 2,081</u>

FASB ASC No. 480, *Distinguishing Liabilities from Equity* (“ASC 480”), established standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity. Under the provisions of ASC 480, the obligation to redeem a partner’s capital in the event of a partner’s death is one of the criteria requiring capital to be classified as a liability.

Under the terms of the Partnership’s Eighteenth Amended and Restated Partnership Agreement (the “Partnership Agreement”), a partner’s capital is required to be redeemed by the Partnership in the event of the partner’s death or withdrawal from the Partnership, subject to compliance with ongoing regulatory capital requirements. In the event of a partner’s death, the Partnership must generally redeem the partner’s capital within six months. The Partnership has withdrawal restrictions in place limiting the amount of capital that can be withdrawn at the discretion of the partner. Under the terms of the Partnership Agreement, limited partners withdrawing from the Partnership are to be repaid their capital in three equal annual installments beginning the month after their withdrawal. The capital of general partners withdrawing 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 are repaid their capital in six equal annual installments beginning the month after their request for withdrawal of contributed capital. The Partnership’s Managing Partner has discretion to waive or modify these withdrawal restrictions and to accelerate the return of capital. All current and future partnership capital is subordinate to all current and future liabilities of the Partnership.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

Since the Partnership Agreement obligates the Partnership to redeem a partner's capital after a partner's death, ASC 480 requires all of the Partnership's equity capital be classified as a liability. In accordance with ASC 480, income allocable to limited, subordinated limited and general partners is classified as a reduction of income before allocations to partners, which results in presentation of \$0 net income.

Net income, as defined in the Partnership Agreement, is equivalent to income before allocations to partners on the Consolidated Statements of Income. Such income, if any, for each calendar year is allocated to the Partnership's three classes of capital in accordance with the formulas prescribed in the Partnership Agreement. Income allocations are based upon partner capital contributions, including capital contributions financed with loans from the Partnership as indicated in the previous table. First, limited partners are allocated net income (as defined in the Partnership Agreement) in accordance with the prescribed formula for their share of net income. Limited partners do not share in the net loss in any year in which there is a net loss and the Partnership is not dissolved or liquidated. Thereafter, subordinated limited partners and general partners are allocated any remaining net income or net loss based on formulas as defined in the Partnership Agreement.

The Partnership filed a Registration Statement on Form S-8 with the U.S. Securities and Exchange Commission ("SEC") on January 17, 2014 to register \$350 in securities in preparation for its anticipated 2014 Limited Partnership offering. The Partnership intends to offer approximately \$300 in Interests to eligible financial advisors, branch office administrators and home office associates. The remaining \$50 may be issued at the discretion of the Managing Partner and Executive Committee, which may include issuances to financial advisors who complete a retirement transition plan in future years and who may be considered for additional limited partnership interest. The 2014 Limited Partnership offering is expected to close early next year. Limited partners participate in the Partnership's profits and are paid a minimum 7.5% annual return on the face amount of their capital ("7.5% Payment"), although the 7.5% Payment is not guaranteed by the Partnership and no reserve has been set aside for such payments.

The Partnership makes loans available to those general partners (other than members of the Executive Committee, which consists of the executive officers of the Partnership) who require financing for some or all of their partnership capital contributions. It is anticipated that a majority of future general and subordinated limited partnership capital contributions (other than for Executive Committee members) requiring financing will be financed through partnership loans. In limited circumstances a general partner may withdraw from the Partnership and become a subordinated limited partner while he or she still has an outstanding partnership loan. Loans made by the Partnership to partners are generally for a period of one year but are expected to be renewed and bear interest at the prime rate, as defined in the loan documents. The Partnership recognizes interest income for the interest received related to these loans. The outstanding amount of partner loans financed through the Partnership is reflected as a reduction to total partnership capital in the Consolidated Statements of Changes in Partnership Capital Subject to Mandatory Redemption. As of March 28, 2014 and December 31, 2013, the outstanding amount of partner loans financed through the Partnership was \$240 and \$215, respectively. Interest income earned from these loans, which is included in interest and dividends in the Consolidated Statements of Income, was \$2 for both the three month periods ended March 28, 2014 and March 29, 2013.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

The limited partnership capital subject to mandatory redemption is held by current and former employees and general partners of the Partnership. Limited partners participate in the Partnership's profits and are paid a minimum 7.5% annual return on the face amount of their capital, in accordance with the Partnership Agreement. The minimum 7.5% annual return was \$12 for both the three month periods ended March 28, 2014 and March 29, 2013. These amounts are included as a component of interest expense in the Consolidated Statements of Income.

The subordinated limited partnership capital subject to mandatory redemption is held by current and former general partners of the Partnership. Subordinated limited partners receive a percentage of the Partnership's net income determined in accordance with the Partnership Agreement. The subordinated limited partnership capital subject to mandatory redemption is subordinated to the limited partnership capital.

The general partnership capital subject to mandatory redemption is held by current general partners of the Partnership. General partners receive a percentage of the Partnership's net income determined in accordance with the Partnership Agreement. The general partnership capital subject to mandatory redemption is subordinated to the limited partnership capital and the subordinated limited partnership capital.

NOTE 5 – NET CAPITAL REQUIREMENTS

As a result of its activities as a broker-dealer, Edward Jones is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934 ("Exchange Act") and capital compliance rules of the Financial Industry Regulatory Authority ("FINRA") Rule 4110. 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.

The Partnership's Canada broker-dealer is a registered securities dealer regulated by the Investment Industry Regulatory Organization of Canada ("IIROC"). Under the regulations prescribed by IIROC, the Partnership is required to maintain minimum levels of risk adjusted capital, which are dependent on the nature of the Partnership's assets and operations.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

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

	<u>March 28, 2014</u>	<u>December 31, 2013</u>
U.S.:		
Net capital	\$ 899	\$ 873
Net capital in excess of the minimum required	\$ 856	\$ 830
Net capital as a percentage of aggregate debit items	41.7%	41.4%
Net capital after anticipated capital withdrawals, as a percentage of aggregate debit items	25.4%	24.8%
Canada:		
Regulatory risk adjusted capital	\$ 33	\$ 34
Regulatory risk adjusted capital in excess of the minimum required to be held by IIROC	\$ 30	\$ 27

Net capital and the related capital percentages may fluctuate on a daily basis. In addition, EJTC was in compliance with its regulatory capital requirements.

NOTE 6 – CONTINGENCIES

In the normal course of business, the Partnership has been named as a defendant in various legal actions, including arbitrations, class actions and other litigation. Certain of these legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. The Partnership is also involved from time to time in investigations and proceedings by governmental and self-regulatory organizations, certain of which may result in adverse judgments, fines or penalties. In addition, the Partnership provides for potential losses that may arise related to other contingencies.

The Partnership assesses its liabilities and contingencies utilizing available information. For those matters where it is probable the Partnership will incur a potential loss and the amount of the loss is reasonably estimable, in accordance with FASB ASC No. 450, *Contingencies*, an accrued liability has been established. These reserves represent the Partnership's aggregate estimate of the potential loss contingency at March 28, 2014 and are believed to be sufficient. Such liability 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 \$4 to \$38. 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 reserves at March 28, 2014 are adequate and the liabilities arising from such proceedings 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 7 – 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 is based upon the Consolidated Financial Statements of the Partnership's Canada operations without eliminating intercompany items, such as management fees paid to affiliated entities. The U.S. segment information is derived from the Consolidated Financial Statements less the Canada segment information as presented. This is consistent with how management reviews the segments in order to assess performance.

The Partnership derived from one mutual fund company 20% of its total revenue for both the three month periods ended March 28, 2014 and March 29, 2013. The revenue generated from this company related to business conducted with the Partnership's U.S. segment. Significant reductions in revenue due to regulatory reform or other changes to the Partnership's relationship with this mutual fund company could have a material impact on the Partnership's results of operations.

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

	Three Months Ended	
	March 28, 2014	March 29, 2013
Net revenue:		
U.S.	\$ 1,438	\$ 1,284
Canada	52	52
Total net revenue	<u>\$ 1,490</u>	<u>\$ 1,336</u>
Pre-variable income:		
U.S.	\$ 359	\$ 281
Canada	5	3
Total pre-variable income	364	284
Variable compensation:		
U.S.	173	131
Canada	5	4
Total variable compensation	178	135
Income (loss) before allocations to partners:		
U.S.	186	150
Canada	—	(1)
Total income before allocations to partners	<u>\$ 186</u>	<u>\$ 149</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 8 – 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 ⁽¹⁾	
Mar 28, 2014	\$ 675	—	675	—	(675)	\$ —
Dec 31, 2013	\$ 1,026	—	1,026	—	(1,026)	\$ —

⁽¹⁾ Actual collateral was greater than 102% of the related assets in U.S. agreements and greater than 100% in Canada agreements for all periods presented.

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 and the financial condition of the Partnership. Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in Item 1, Financial Statements of this Quarterly Report on Form 10-Q and Item 8, Financial Statements and Supplementary Data of the Partnership's Annual Report.

Basis of Presentation

The Partnership broadly categorizes its net revenues into four categories: fee revenue, trade revenue (revenue from client buy or sell transactions of securities), net interest and dividends revenue (net of interest expense) and other revenue. In the Consolidated Statements of Income, fee revenue is composed of asset-based fees and account and activity fees. Trade revenue is composed of commissions, principal transactions and investment banking. These sources of revenue are affected by a number of factors. Asset-based fees are generally a percentage of the total value of specific assets in client accounts. These fees are impacted by client dollars invested in and divested from the accounts which generate asset-based fees and change in market values of the assets. Account and activity fees and other revenue are impacted by the number of client accounts and the variety of services provided to those accounts, among other factors. Trade revenue is impacted by the number of financial advisors, trading volume (client dollars invested), mix of the products in which clients invest, margins earned on the transactions and market volatility. 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, and the balances of partnership loans, long-term debt and liabilities subordinated to claims of general creditors.

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 change in major categories of the Consolidated Statements of Income as well as several key related metrics for the three month periods ended March 28, 2014 and March 29, 2013. Management of the Partnership relies on this financial information and the related metrics to evaluate the Partnership's operating performance and financial condition. All amounts are presented in millions, except the number of financial advisors and as otherwise noted.

	Three Months Ended		
	March 28, 2014	March 29, 2013	% Change
Revenue:			
Fee revenue:			
Asset-based	\$ 715	\$ 570	25%
Account and activity	144	139	4%
Total fee revenue	859	709	21%
% of net revenue	58%	53%	
Trade revenue:			
Commissions	533	540	-1%
Principal transactions	41	27	52%
Investment banking	36	27	33%
Total trade revenue	610	594	3%
% of net revenue	41%	44%	
Net interest and dividends	17	17	0%
Other revenue	4	16	-75%
Net revenue	1,490	1,336	12%
Operating expenses	1,304	1,187	10%
Income before allocations to partners	<u>\$ 186</u>	<u>\$ 149</u>	<u>25%</u>
Related metrics:			
Client dollars invested ⁽¹⁾ :			
Trade (\$ billions)	\$ 27.5	\$ 26.2	5%
Advisory programs (\$ billions)	\$ 5.4	\$ 5.0	8%
Client households at period end	4.65	4.54	2%
Net new assets for the period end (\$ billions)	\$ 13.9	\$ 11.4	22%
Client assets under care:			
Total:			
At period end (\$ billions)	\$ 805.0	\$ 707.7	14%
Average (\$ billions)	\$ 792.7	\$ 689.4	15%
Advisory programs:			
At period end (\$ billions)	\$ 121.9	\$ 96.3	27%
Average (\$ billions)	\$ 118.0	\$ 92.6	27%
Financial advisors:			
At period end	13,376	12,586	6%
Average	13,233	12,512	6%
Attrition %	8.3%	9.9%	n/a
Dow Jones Industrial Average:			
At period end	16,323	14,579	12%
Average for period	16,173	13,994	16%
S&P 500 Index:			
At period end	1,858	1,569	18%
Average for period	1,834	1,514	21%

⁽¹⁾ Client dollars invested related to trade revenue represent the principal amount of clients' buy and sell transactions resulting in commissions, principal transactions and investment banking revenues. Client dollars invested related to advisory programs revenue represent the net inflows of client dollars into the programs.

PART I. FINANCIAL INFORMATION

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

Year to Date 2014 versus 2013 Overview

The Partnership experienced strong results during the first three months of 2014 compared to 2013, including record net revenue, income before allocations to partners and client assets under care. Results benefitted from improved market conditions, including increases of 21% in the average S&P 500 Index and 16% in the average Dow Jones Industrial Average.

The Partnership's key performance measures were strong during the first three months of 2014 and financial advisors attracted \$13.9 billion in net new assets. Average client assets under care grew 15% to \$792.7 billion, which included a 27% increase in the advisory programs' average assets under care to \$118.0 billion. In addition, client dollars invested related to trade revenue were up 5% to \$27.5 billion.

Net revenue increased 12% to \$1.5 billion for the first three months in 2014. This increase was led by a 21% increase in fee revenue, primarily due to higher levels of asset values on which fees were earned, driven by the continued investment of client dollars into advisory programs and the overall rise in the equity market daily averages. Revenue growth was also driven by a 3% increase in trade revenue.

Operating expenses increased 10% for the first three months of 2014 compared to 2013, primarily due to higher compensation expense driven by increased financial advisor productivity and higher variable compensation due to the increase in the Partnership's profitability.

Overall, the 12% increase in net revenue, partially offset by the 10% increase in operating expenses, generated income before allocations to partners of \$186 million, a 25% increase over 2013.

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIODS ENDED MARCH 28, 2014 AND MARCH 29, 2013

The discussion below details the significant fluctuations and drivers for 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, increased 21% to \$859 million in the first quarter of 2014 compared to the same period in 2013. The increase in fee revenue for the first quarter of 2014 was primarily due to higher asset values and continued investment in advisory programs. A discussion of fee revenue components follows.

PART I. FINANCIAL INFORMATION

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

Asset-based

	Three Months Ended		
	March 28, 2014	March 29, 2013	% Change
Asset-based fee revenue (\$ millions):			
Advisory programs fees	\$ 395	\$ 303	30%
Service fees	265	220	20%
Revenue sharing	45	36	25%
Trust fees	9	8	13%
Cash solutions	1	3	-67%
Total asset-based fee revenue	<u>\$ 715</u>	<u>\$ 570</u>	<u>25%</u>
Related metrics (\$ billions):			
Average U.S. client asset values ⁽¹⁾ :			
Mutual fund assets held outside of advisory programs ⁽²⁾			
Advisory programs	\$ 346.5	\$ 292.5	18%
Insurance	117.4	92.6	27%
Cash solutions	68.2	58.4	17%
Total client asset values	<u>\$ 552.4</u>	<u>\$ 463.3</u>	<u>19%</u>

- (1) Assets on which the Partnership earns asset-based fee revenue. The U.S. portion of consolidated asset-based fee revenue was 98% and 97% for the first quarters of 2014 and 2013, respectively.
- (2) The amount previously reported as of March 29, 2013 of \$350.3 billion has been corrected to properly exclude \$57.8 billion in mutual fund assets held in advisory programs which had been previously included. Total client asset values was also corrected by the same amount. Similar prior period adjustments will be made upon filing the second quarter, third quarter and 2014 annual results.

For the three months ended March 28, 2014, asset-based fee revenue increased 25% to \$715 million compared to the three months ended March 29, 2013. The increase is primarily due to greater advisory programs fees and service fees. The growth in advisory programs fees was primarily due to increased investment of client assets into advisory programs and increases in the market value of the underlying assets. Service fees increased in the first quarter of 2014 due to increases in the market value of the underlying assets as well as continued client investment into mutual fund products, which includes new client assets. A majority of client assets held in advisory programs were converted from other client investments previously held with the Partnership.

PART I. FINANCIAL INFORMATION

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

Account and Activity

	Three Months Ended		
	March 28, 2014	March 29, 2013	% Change
Account and activity fee revenue (\$ millions):			
Sub-transfer agent services	\$ 92	\$ 82	12%
Retirement account fees	30	30	0%
Other account and activity fees	22	27	-19%
Total account and activity fee revenue	\$ 144	\$ 139	4%
Related metrics (millions):			
Average client:			
Sub-transfer agent holdings serviced	21.0	19.1	10%
Retirement accounts	4.4	4.0	10%

For the three months ended March 28, 2014, account and activity fee revenue increased 4% to \$144 million compared to the three months ended March 29, 2013. Revenue growth was led by sub-transfer agent service fees due to the increase in the number of average client mutual fund holdings serviced. This increase was partially offset by a decrease in other account and activity fees primarily due to declines in other transaction fees and mortgage revenue.

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, principal transactions and investment banking revenue, increased 3% to \$610 million in the first quarter of 2014 compared to the same period in 2013. The increase in trade revenue for the first quarter of 2014 was primarily due to the impact of increased client dollars invested, partially offset by a decrease in the margin earned. A discussion of trade revenue components follows.

Commissions

	Three Months Ended		
	March 28, 2014	March 29, 2013	% Change
Commissions revenue (\$ millions):			
Mutual funds	\$ 293	\$ 312	-6%
Equities	153	142	8%
Insurance	87	86	1%
Total commissions revenue	<u>\$ 533</u>	<u>\$ 540</u>	<u>-1%</u>
Related metrics:			
Client dollars invested (\$ billions)	\$ 22.4	\$ 22.1	1%
Margin per \$1,000 invested	\$ 23.8	\$ 24.4	-2%
U.S. business days	60	60	0%

For the three months ended March 28, 2014, commissions revenue decreased 1% to \$533 million compared to the three months ended March 29, 2013. The decrease was primarily due to a 2% decrease in the margin per \$1,000 invested. Margin decreased slightly due to a higher proportion of revenue from equities which have a lower margin than revenue from mutual funds. This decrease was partially offset by a 1% increase in client dollars invested in commission generating transactions. Clients continue to reinvest their dollars from fixed income products into equity products due to the strong equity market.

Principal Transactions

For the three months ended March 28, 2014, principal transactions revenue increased 52% to \$41 million compared to the three months ended March 29, 2013. Principal transactions revenue was positively impacted by relatively higher interest rates during the quarter, compared to a weak first quarter of 2013, which improved demand and led to an increase in client dollars invested. The most notable growth was in revenue from state and municipal obligations due to increased market activity and weak demand in the first quarter of 2013 reflecting uncertainty surrounding tax exemptions. In addition, results were aided by an increase in the margin per \$1,000 invested in the first quarter of 2014 compared to the first quarter of 2013.

Investment Banking

For the three months ended March 28, 2014, investment banking revenue increased 33% to \$36 million compared to the three months ended March 29, 2013. The growth in investment banking revenue reflects a 45% increase in client dollars invested, primarily due to improved market conditions and increased investment in equity unit investment trusts. This increase was slightly offset by a 4% decrease in the margin earned per \$1,000 invested, as client investments shifted from higher-margin municipal and corporate unit investment trusts towards lower-margin equity unit investment trusts.

PART I. FINANCIAL INFORMATION

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

Net Interest and Dividends

	Three Months Ended		
	March 28, 2014	March 29, 2013	% Change
Net interest and dividends revenue (\$ millions):			
Client loan interest	\$ 25	\$ 26	-4%
Short-term investing interest	3	3	0%
Other interest and dividends	3	3	0%
Limited partnership interest expense	(12)	(12)	0%
Other interest expense	(2)	(3)	-33%
Total net interest and dividends revenue	\$ 17	\$ 17	0%
Related metrics (\$ millions):			
Average aggregate client loan balance	\$ 2,147.5	\$ 2,099.0	2%
Average rate earned	4.80%	5.11%	-6%
Average funds invested	\$ 9,489.3	\$ 8,411.0	13%
Average rate earned	0.15%	0.18%	-17%
Weighted average \$1,000 equivalent limited partnership units outstanding	639,239	648,915	-1%

For the three month period ended March 28, 2014, net interest and dividends revenue was flat at \$17 million compared to the three month period ended March 29, 2013. Other interest expense decreased 33% primarily due to lower average debt balances during the current period as a result of debt repayments. This decrease was offset by a 4% decrease in interest income from client loans, primarily reflecting a lower average rate earned.

Other Revenue

Other revenue decreased 75% to \$4 million in the first quarter of 2014 compared to the first quarter of 2013. This decrease is primarily attributable to the \$4 million received in 2013 related to the mortgage joint venture dissolution and a current year decrease in value of the investments held related to the Partnership's nonqualified deferred compensation plan. The Partnership has chosen to hedge the future liability for the plan by purchasing investments in an amount similar to the future expected liability. As the market value of these investments fluctuates, the gains or losses are recorded in other revenue with an offset in compensation and fringe benefits expense, resulting in minimal net impact to the Partnership's income before allocations to partners.

PART I. FINANCIAL INFORMATION

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

Operating Expenses

	Three Months Ended		
	March 28, 2014	March 29, 2013	% Change
Operating expenses (\$ millions):			
Compensation and benefits:			
Financial advisor	\$ 520	\$ 475	9%
Home office and branch	237	233	2%
Variable compensation	178	135	32%
Financial advisor salary and subsidy	57	44	30%
Total compensation and benefits	992	887	12%
Occupancy and equipment	92	90	2%
Communications and data processing	71	73	-3%
Payroll and other taxes	63	58	9%
Advertising	19	17	12%
Postage and shipping	13	13	0%
Professional and consulting fees	13	9	44%
Other operating expenses	41	40	3%
Total operating expenses	<u>\$ 1,304</u>	<u>\$ 1,187</u>	<u>10%</u>
Related metrics:			
Number of branches			
At period end	11,726	11,434	3%
Average	11,676	11,417	2%
Financial advisors:			
At period end	13,376	12,586	6%
Average	13,233	12,512	6%
Branch employees ⁽¹⁾⁽³⁾ :			
At period end	13,525	13,260	2%
Average	13,397	13,119	2%
Home office employees ⁽¹⁾⁽³⁾ :			
At period end	5,511	5,426	2%
Average	5,464	5,407	1%
Home office employees ⁽¹⁾⁽³⁾ per			
100 financial advisors (average)	41.3	43.2	-4%
Branch employees ⁽¹⁾⁽³⁾ per 100 financial advisors (average)	101.2	104.8	-3%
Average operating expenses per financial advisor ⁽²⁾	\$ 45,795	\$ 46,046	-1%

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

(2) Operating expenses used in calculation represent total operating expenses less financial advisor and variable compensation.

(3) The methodology used to calculate FTEs was revised in 2014. Prior period metrics were updated to conform to the new methodology.

PART I. FINANCIAL INFORMATION

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

For the three month period ended March 28, 2014, operating expenses increased 10% to \$1.3 billion compared to the three month period ended March 29, 2013 primarily due to a 12% increase in compensation and benefits (described below). The remaining operating expenses increased 4% (\$12 million) primarily due to a 9% increase in payroll and other taxes caused by the increase in compensation.

Financial advisor compensation increased 9% (\$45 million) in the first quarter of 2014 primarily due to increases in asset-based fee and trade revenues on which financial advisor commissions are paid. Financial advisor salary and subsidy increased 30% (\$13 million) primarily due to growth in financial advisors and new compensation initiatives.

Home office and branch salary and fringe benefit expense increased 2% (\$4 million) in the first quarter of 2014 primarily due to higher wages and more personnel to support increased productivity and growth of the Partnership's financial advisor network. The average number of the Partnership's home office and branch employees increased 1% and 2%, respectively.

Variable compensation expands and contracts in relation to revenues, income before allocations to partners and the Partnership's related profit margin. As the Partnership's financial results and profit margin improve, a significant portion is allocated to variable compensation and paid to employees in the form of increased profit sharing and bonuses. As a result, variable compensation increased 32% (\$43 million) in the first quarter of 2014 to \$178 million.

The Partnership uses the ratios of both the number of home office and the number of branch employees per 100 financial advisors and the average operating expenses per financial advisor as key metrics in managing its costs. In the first quarter of 2014, the average number of home office employees per 100 financial advisors decreased 4% and the number of branch employees per 100 financial advisors decreased 3%. These ratios reflect the Partnership's longer term cost management strategy to grow its financial advisor network at a faster pace than its home office and branch support staff. The average operating expense per financial advisor decreased 1% primarily due to the impact of spreading those expenses over more financial advisors.

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 is based upon the Consolidated Financial Statements of the Partnership's Canada operations without eliminating intercompany items, such as management fees paid to affiliated entities. The U.S. segment information is derived from the Consolidated Financial Statements less the Canada segment information as presented. This is consistent with how management reviews the segments in order 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. All amounts are presented in millions, except the number of financial advisors and as otherwise noted.

	Three Months Ended		
	March 28, 2014	March 29, 2013	% Change
Net revenue:			
U.S.	\$ 1,438	\$ 1,284	12%
Canada	<u>52</u>	<u>52</u>	<u>0%</u>
Total net revenue	1,490	1,336	12%
Operating expenses (excluding variable compensation):			
U.S.	1,079	1,003	8%
Canada	<u>47</u>	<u>49</u>	<u>-4%</u>
Total operating expenses	1,126	1,052	7%
Pre-variable income:			
U.S.	359	281	28%
Canada	<u>5</u>	<u>3</u>	<u>67%</u>
Total pre-variable income	364	284	28%
Variable compensation:			
U.S.	173	131	32%
Canada	<u>5</u>	<u>4</u>	<u>25%</u>
Total variable compensation	178	135	32%
Income (loss) before allocations to partners:			
U.S.	186	150	24%
Canada	<u>—</u>	<u>(1)</u>	<u>100%</u>
Total income before allocations to partners	<u>\$ 186</u>	<u>\$ 149</u>	<u>25%</u>
Client assets under care (\$ billions):			
U.S.			
At period end	\$ 786.3	\$ 690.4	14%
Average	\$ 774.4	\$ 672.3	15%
Canada			
At period end	\$ 18.7	\$ 17.3	8%
Average	\$ 18.3	\$ 17.1	7%
Financial advisors:			
U.S.			
At period end	12,681	11,944	6%
Average	12,546	11,869	6%
Canada			
At period end	695	642	8%
Average	687	643	7%

PART I. FINANCIAL INFORMATION

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

U.S.

For the three month period ended March 28, 2014, net revenue increased 12% compared to the three month period ended March 29, 2013. Revenue growth reflected a 26% (\$143 million) increase in asset-based fee revenue primarily due to increases in advisory programs fees revenue of 30% (\$91 million) and service fees revenue of 20% (\$42 million). The growth reflects an increase in client assets under care resulting from continued investment of client dollars as well as market increases. In addition, trade revenue increased 3% (\$17 million) primarily due to the impact of increased client dollars invested, partially offset by a decrease in the margin earned on client dollars invested.

Operating expenses (excluding variable compensation) increased 8% in the first quarter of 2014 primarily due to increases in financial advisor compensation and salary and fringe benefits. Higher financial advisor compensation was due to increases in asset-based fee and trade revenues on which financial advisor commissions are paid. Salary and fringe benefits expense increased due to wage increases and more personnel to support increased productivity and growth of the Partnership's financial advisor network.

Canada

Net revenue remained flat in the first quarter of 2014 compared to the first quarter of 2013. Asset-based fee revenue increased 14% (\$2 million) primarily due to growth in service fee revenue of 15% (\$2 million), reflecting an increase in client assets under care resulting from the investment of client dollars and higher market values of the underlying assets. Trade revenue decreased 3% (\$1 million) primarily due to a decrease in the margin earned on client dollars invested.

Operating expenses (excluding variable compensation) decreased 4% in the first quarter of 2014 primarily due to decreases in occupancy and equipment expense and home office and branch salary and fringe benefit expense.

As a result, pre-variable income improved 67% (\$2 million) in the first quarter of 2014. Improvement in Canada is due in part to the continued focus to achieve profitability. This includes several initiatives to increase revenue and control expenses. Revenue initiatives include the plan to grow the number of financial advisors, client assets under care and the depth of financial solutions provided to clients, and the roll out of additional advisory programs.

PART I. FINANCIAL INFORMATION

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

LEGISLATIVE AND REGULATORY REFORM

As discussed more fully in the "Legislative and Regulatory Initiatives" risk factor in Part I, Item 1A – Risk Factors of the Partnership's Annual Report, the Partnership continues to monitor several regulatory initiatives and proposed or potential rules ("Regulatory Initiatives"), including the possibility of a universal fiduciary standard of care applicable to both broker-dealers and investment advisers under the Dodd-Frank Act, limits on fees paid by mutual funds (often called 12b-1 fees), and reforms to the regulation of money market funds. The regulatory activities that occurred during the first three months of 2014 have not materially changed the Partnership's view of the potential impact to the Partnership of these Regulatory Initiatives. The Regulatory Initiatives may impact the manner in which the Partnership markets its products and services, manages its business and operations, and interacts with clients and regulators, any or all of which could materially impact the Partnership's results of operations, financial condition, and liquidity. However, the Partnership cannot presently predict when or if any Regulatory Initiatives will be enacted or the impact that any Regulatory Initiatives will have on the Partnership.

MUTUAL FUNDS AND ANNUITIES

The Partnership derived 77% and 76% of its total revenue from sales and services related to mutual fund and annuity products in the three month periods ended March 28, 2014 and March 29, 2013, respectively. In addition, the Partnership derived from one mutual fund company 20% of its total revenue for both the three month periods ended March 28, 2014 and March 29, 2013. The revenue generated from this company relates to business conducted with the Partnership's U.S. segment.

Significant reductions in these revenues due to regulatory reform or other changes to the Partnership's relationship with mutual fund companies could have a material adverse effect on the Partnership's results of operations.

LIQUIDITY AND CAPITAL RESOURCES

The Partnership requires liquidity to cover its operating expenses, net capital requirements, capital expenditures, debt repayment obligations, distributions to partners and redemptions of partnership interests. The principal sources for meeting the Partnership's liquidity requirements include existing liquidity and capital resources of the Partnership, discussed further below, and funds generated from operations. The Partnership believes that the liquidity provided by these sources 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 through the sale of limited partnership interests to its employees and existing limited partners, the sale of subordinated limited partnership interests to its current or retiring general partners and retention of general partner earnings.

PART I. FINANCIAL INFORMATION

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

The Partnership filed a Registration Statement on Form S-8 with the SEC on January 17, 2014 to register \$350 million in securities in preparation for its anticipated 2014 Limited Partnership offering. The Partnership intends to offer approximately \$300 million in Interests to eligible financial advisors, branch office administrators and home office associates. The remaining \$50 million may be issued at the discretion of the Managing Partner and Executive Committee, which may include issuances to financial advisors who complete a retirement transition plan in future years and who may be considered for additional limited partnership interest. The 2014 Limited Partnership offering is expected to close early next year. The issuance of limited partnership interests will reduce the percentage of participation in net income by general partners and subordinated limited partners. Proceeds from the 2014 Limited Partnership offering are expected to be used toward working capital and general corporate purposes and to ensure there is adequate general liquidity of the Partnership for future needs.

Any issuance of new Interests will decrease the Partnership's net interest income by the 7.5% Payment for any such additional Interests, and holders of existing Interests may suffer decreased returns on their investment because the amount of the Partnership's net income they participate in may be reduced as a consequence. Accordingly, the issuance of LP interests will reduce the Partnership's net interest income and profitability beginning in 2015.

The Partnership's capital subject to mandatory redemption, net of reserve for anticipated withdrawals, at March 28, 2014 was \$1,887 million, an increase of \$29 million from December 31, 2013. This increase in the Partnership's capital subject to mandatory redemption was primarily due to the retention of general partner earnings (\$20 million) and additional capital contributions related to subordinated limited partner and general partner interests (\$46 million and \$92 million, respectively), partially offset by the redemption of limited partner, subordinated limited partner and general partner interests (\$1 million, \$14 million and \$89 million, respectively) and the net increase in partnership loans outstanding (\$25 million). During the three month periods ended March 28, 2014 and March 29, 2013, 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 or withdrawal from the Partnership, subject to compliance with ongoing regulatory capital requirements. In the event of a partner's death, the Partnership must generally redeem the partner's capital within six months. The Partnership has withdrawal restrictions in place limiting the amount of capital that can be withdrawn at the discretion of the partner. Under the terms of the Partnership Agreement, limited partners withdrawing from the Partnership are to be repaid their capital in three equal annual installments beginning the month after their withdrawal. The capital of general partners withdrawing 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 are repaid their capital in six equal annual installments beginning the month after their request for withdrawal of contributed capital. The Partnership's Managing Partner has discretion to waive or modify these withdrawal restrictions and to accelerate the return of capital.

PART I. FINANCIAL INFORMATION

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

The Partnership makes loans available to those general partners (other than members of the Executive Committee, which consists of the executive officers of the Partnership) who require financing for some or all of their partnership capital contributions. Additionally, in limited circumstances a general partner may withdraw from the Partnership and become a subordinated limited partner while he or she still has an outstanding partnership loan. Loans made by the Partnership to partners are generally for a period of one year but are expected to be renewed and bear interest at the prime rate, as defined in the loan documents. The Partnership recognizes interest income for the interest received 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 and amounts distributed for income taxes. It is anticipated that a majority of future general and subordinated limited partnership capital contributions (other than for Executive Committee members) requiring financing will be financed through partnership loans. The Partnership has full recourse against any partner that defaults on loan obligations to the Partnership. The Partnership does not anticipate that partner loans will have an adverse impact on the Partnership's short-term liquidity or capital resources.

The Partnership has not and will not provide loans to members of the Executive Committee. Executive Committee members who require financing for some or all of their partnership capital contributions will continue to borrow directly from banks willing to provide such financing on an individual basis. Other partners 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 are between the individual and the bank. The Partnership does not guarantee these bank loans, nor can the partner pledge his or her 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 liquidation of that individual's capital account to the repayment of their 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 various forms of financing to the Partnership. To the extent these banks increase credit available to the partners, financing available to the Partnership may be reduced.

PART I. FINANCIAL INFORMATION

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

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 limited partner 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 28, 2014			
	Limited Partnership Interests	Subordinated Limited Partnership Interests	General Partnership Interests	Total Partnership Capital
<i>(\$ in millions)</i>				
Partnership capital ⁽¹⁾ :				
Total partnership capital	\$ 639	\$ 337	\$ 1,151	\$ 2,127
Partnership capital owned by partners with individual loans	\$ 78	\$ 5	\$ 646	\$ 729
Partnership capital owned by partners with individual loans as a percent of total partnership capital	12.2%	1.5%	56.1%	34.3%
Partner loans	\$ 17	\$ 2	\$ 238	\$ 257
Partner loans as a percent of total partnership capital	2.7%	0.6%	20.7%	12.1%
Partner loans as a percent of partnership capital owned by partners with loans	21.8%	40.0%	36.8%	35.3%

⁽¹⁾ 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 capital 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:

<i>(\$ millions)</i>	March 28, 2014	December 31, 2013
2013 Credit Facility	\$ 400	\$ 400
Uncommitted secured credit facilities	415	415
Total bank lines of credit	<u>\$ 815</u>	<u>\$ 815</u>

In November 2013, the Partnership entered into the 2013 Credit Facility, which has an expiration date of November 15, 2018 and replaced a similarly termed credit facility. The 2013 Credit Facility is intended to provide short-term liquidity to the Partnership should the need arise. In addition, the Partnership has uncommitted lines of credit that are subject to change at the discretion of the banks. 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 availability on the uncommitted secured lines is based on client margin securities and partnership securities, which would serve as collateral on loans in the event the Partnership borrowed against these lines. There were no amounts outstanding on the 2013 Credit Facility and the uncommitted lines of credit as of March 28, 2014 and December 31, 2013. In addition, the Partnership did not have any draws against these lines of credit during the three and twelve month periods ended March 28, 2014 and December 31, 2013, respectively.

The Partnership was in compliance with all covenants related to its outstanding debt agreements as of March 28, 2014. For details on covenants related to lines of credit, see the discussion in Note 3 to the Consolidated Financial Statements.

Cash Activity

As of March 28, 2014, the Partnership had \$559 million in cash and cash equivalents and \$675 million in securities purchased under agreements to resell, which have maturities of less than one week. This totals \$1,234 million of Partnership liquidity as of March 28, 2014, a 24% (\$392 million) decrease from \$1,626 million at December 31, 2013. This decrease is primarily due to timing of client cash activity and the resulting requirement for segregation. The Partnership had \$8,251 million and \$8,435 million in cash and investments segregated under federal regulations as of March 28, 2014 and December 31, 2013, respectively, which was not available for general use.

PART I. FINANCIAL INFORMATION

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

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 FINRA Rule 4110. Under the alternative method permitted by the rules, Edward Jones must maintain minimum net capital, as defined, equal to the greater of \$0.25 million 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 the 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.

The Partnership's Canada broker-dealer is a registered securities dealer regulated by IIROC. Under the regulations prescribed by IIROC, the Partnership is required to maintain minimum levels of risk adjusted capital, which are dependent on the nature of the Partnership's assets and operations.

The following table shows the Partnership's net capital figures for its U.S. and Canada broker-dealers as of (\$ in millions):

	March 28, 2014	December 31, 2013	% Change
U.S.:			
Net capital	\$ 899	\$ 873	3%
Net capital in excess of the minimum required	\$ 856	\$ 830	3%
Net capital as a percentage of aggregate debit items	41.7%	41.4%	1%
Net capital after anticipated capital withdrawals, as a percentage of aggregate debit items	25.4%	24.8%	2%
Canada:			
Regulatory risk adjusted capital	\$ 33	\$ 34	-3%
Regulatory risk adjusted capital in excess of the minimum required to be held by IIROC	\$ 30	\$ 27	11%

Net capital and the related capital percentages may fluctuate on a daily basis. In addition, EJTC was in compliance with its regulatory capital requirements.

The Partnership and its subsidiaries are subject to examination by the Internal Revenue Service ("IRS") and by various state and foreign taxing authorities in the jurisdictions in which the Partnership and its subsidiaries conduct business. In 2012, the IRS began an examination of Edward Jones' income tax returns for the years ended 2009 and 2010. This examination is ongoing and is not expected to have a material impact to the Partnership.

OFF BALANCE SHEET ARRANGEMENTS

The Partnership does not have any significant off-balance-sheet arrangements.

PART I. FINANCIAL INFORMATION

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

CRITICAL ACCOUNTING POLICIES

The Partnership's financial statements are prepared in accordance with GAAP, which may require judgment and involve estimation processes to determine its assets, liabilities, revenues and expenses which affect its results of operations.

The Partnership believes that of its significant accounting policies, the following critical policies require estimates that involve a higher degree of judgment and complexity.

Asset-Based Fees. Due to the timing of receipt of information, the Partnership must use estimates in recording the accruals related to certain asset-based fees. These accruals are based on historical trends and are adjusted to reflect market conditions for the period covered. Additional adjustments, if needed, are recorded in subsequent periods.

Legal Reserves. The Partnership provides for potential losses that may arise out of litigation, regulatory proceedings and other contingencies to the extent that such losses can be estimated, in accordance with ASC No. 450, *Contingencies*. See Note 6 to the Consolidated Financial Statements and Part II, Item 1 – Legal Proceedings for further discussion of these items. The Partnership regularly monitors its exposures for potential losses. The Partnership's total liability with respect to litigation and regulatory proceedings represents the best estimate of probable losses after considering, among other factors, the progress of each case, the Partnership's experience and discussions with legal counsel.

Included in Item 3 – Quantitative and Qualitative Disclosures about Market Risk and in Note 1 of the Partnership's Annual Report are additional discussions of the Partnership's accounting policies.

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, securities owned 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 recoverable through increased prices of services offered by the Partnership.

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 the federal 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; (2) regulatory actions; (3) changes in legislation or regulation, including new regulations under the Dodd-Frank Act; (4) actions of competitors; (5) litigation; (6) the ability of clients, other broker-dealers, banks, depositories and clearing organizations to fulfill contractual obligations; (7) changes in interest rates; (8) changes in technology; (9) a fluctuation in the fair value of securities; and (10) the risks discussed under the caption "Risk Factors" in the Partnership's Annual Report and subsequent Quarterly Reports 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.

PART I. FINANCIAL INFORMATION

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 trading and 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 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 receivables from clients on margin balances and short-term investments, which averaged \$2.1 billion and \$9.5 billion, respectively, for the three month period ended March 28, 2014. The changes in interest rates may also have an impact on the expense related to liabilities that finance these assets, such as amounts payable to clients and other interest and non-interest bearing liabilities.

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 in short-term interest rates could increase its annual net interest income by approximately \$80 million. Conversely, the Partnership estimates that a 100 basis point (1.00%) decrease in short-term interest rates could decrease the Partnership's annual net interest income by approximately \$14 million. A decrease in short-term interest rates currently has a less significant impact on net interest income due to the low interest rate environment. The Partnership has two distinct types of interest bearing assets: client receivables from margin accounts and short-term, primarily overnight, investments, which are primarily comprised of cash and investments segregated under federal regulations and securities purchased under agreements to resell. These investments have earned interest at an average rate of approximately 15 basis points (0.15%) in the first three months of 2014, and therefore the financial dollar impact of further decline in rates is minimal. The Partnership has put in place an interest rate floor for the interest charged related to its client margin loans, which helps to limit the negative impact of declining interest rates.

In addition to the interest earning assets and liabilities noted above, the Partnership's revenue earned related to its minority ownership interest in the adviser to the Edward Jones money market funds is also impacted by changes in interest rates. As a 49.5% limited partner of Passport Research Ltd., the investment adviser to two of the money market funds made available to Edward Jones clients, the Partnership receives a portion of the income of the investment adviser. Due to the current historically low interest rate environment, the investment adviser voluntarily chose (beginning in March 2009) to reduce certain fees charged to the funds to a level that will maintain a positive client yield on the funds. This reduction of fees reduced the Partnership's cash solutions revenue by \$25 million and \$23 million for the three month periods ended March 28, 2014 and March 29, 2013, respectively, or approximately \$100 million annually, and is expected to continue at that level in future periods, based upon the current interest rate environment. Alternatively, if the interest rate environment improved such that this reduction in fees was no longer necessary to maintain a positive client yield, the Partnership's revenue could increase annually by that same level.

PART I. FINANCIAL INFORMATION

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 28, 2014.

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 following information supplements the discussion in Part I, Item 3 “Legal Proceedings” in the Partnership’s Annual Report:

Nicholas Maxwell, individually and on behalf of all others similarly situated. On December 18, 2012, Edward Jones was named as a defendant in a putative class action complaint in Alameda Superior Court. The complaint asserted causes of action for unlawful wage deductions (Labor Code sections 221, 223, 400-410, 2800, 2802, Cal. Code Reg. title 8, section 11040(8)); California Unfair Competition Law violations (Business and Professions Code sections 17200-04); and waiting time penalties (Labor Code sections 201-203). Plaintiff alleged that Edward Jones improperly charged its California financial advisors fees, costs, and expenses related to trading errors or “broken” trades, and failed to timely pay wages at termination. The parties reached a tentative settlement that, if approved, will not have an adverse material impact on the Partnership’s Consolidated Financial Condition. Plaintiff filed his motion for preliminary approval of class action settlement on March 26, 2014.

ITEM 1A. RISK FACTORS

For information regarding risk factors affecting the Partnership, please see the language regarding forward-looking statements in Item 2 of Part I of this Report on Form 10-Q and Part I – Item 1A of the Partnership’s Annual Report.

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

None.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1 **	Nineteenth Amendment of Eighteenth Restated Certificate of Limited Partnership.
31.1 **	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities 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 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 ***	XBRL Instance Document
101.SCH ***	XBRL Taxonomy Extension Schema
101.CAL ***	XBRL Taxonomy Extension Calculation
101.DEF ***	XBRL Extension Definition
101.LAB ***	XBRL Taxonomy Extension Label
101.PRE ***	XBRL Taxonomy Extension Presentation

* Incorporated by reference to previously filed exhibits.

** Filed herewith.

*** Attached as Exhibit 101 to this Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2014 are the following materials formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Partnership Capital Subject to Mandatory Redemption, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.

PART II. OTHER INFORMATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ James D. Weddle
James D. Weddle
Managing Partner (Principal Executive Officer)
May 2, 2014

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/ James D. Weddle</u> James D. Weddle	Managing Partner (Principal Executive Officer)	May 2, 2014
<u>/s/ Kevin D. Bastien</u> Kevin D. Bastien	Chief Financial Officer (Principal Financial and Accounting Officer)	May 2, 2014

**NINETEENTH AMENDMENT OF EIGHTEENTH RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
THE JONES FINANCIAL COMPANIES, L.L.L.P.**

The undersigned, for the purpose of amending its Restated Certificate of Limited Partnership under the Missouri Uniform Limited Partnership law, 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 date the limited partnership was filed in Missouri is June 5, 1987.
- (3) The partnership registered as a limited liability partnership with the Missouri Secretary of State on November 1, 1996.
- (4) The partnership registered as a registered limited liability limited partnership on July 15, 2002.
- (5) The Eighteenth Restated Certificate of Limited Partnership is hereby amended to reflect the partner withdrawals and admissions 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 377.

In affirmation thereof, the facts stated above are true.

Dated: March 24, 2014

General Partner:

By /s/ James D. Weddle
James D. Weddle,
Managing Partner/Authorized Person/Attorney-in-Fact

EXHIBIT A

Withdrawn General Partners:

<u>Partner Name</u>	<u>Date Withdrawn as General Partner</u>	<u>Address 1 & 2</u>	<u>City, State & Zip</u>
Alan D. Kindsvater	3/03/2014	17669 Lasiandra Drive	Chesterfield, MO 63005
Brian D. Buckley	3/11/2014	16344 Wynncrest Falls Way	Wildwood, MO 63005

Admitted General Partners:

<u>Partner Name</u>	<u>Date Admitted as General Partner</u>	<u>Address 1 & 2</u>	<u>City, State & Zip</u>
Alan Kindsvater Revocable Living Trust	3/03/2014	17669 Lasiandra Drive	Chesterfield, MO 63005
Brian D. Buckley Revocable Trust	3/11/2014	16344 Wynncrest Falls Way	Wildwood, MO 63005

Exhibit A to Nineteenth Amendment of Eighteenth Restated
Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P.

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, James D. Weddle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Jones Financial Companies, L.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/ James D. Weddle

Chief Executive Officer

The Jones Financial Companies, L.L.L.P.

May 2, 2014

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Kevin D. Bastien, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Jones Financial Companies, L.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/ Kevin D. Bastien

Chief Financial Officer

The Jones Financial Companies, L.L.L.P.

May 2, 2014

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.L.P. (the "Registrant") on Form 10-Q for the period ending March 28, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James D. Weddle, 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/ James D. Weddle

Chief Executive Officer

The Jones Financial Companies, L.L.L.P.

May 2, 2014

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.L.P. (the "Registrant") on Form 10-Q for the period ending March 28, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin D. Bastien, 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/ Kevin D. Bastien
Chief Financial Officer
The Jones Financial Companies, L.L.L.P.
May 2, 2014