

**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 June 25, 2021

OR

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

For the transition period from _____ to _____

Commission file number 0-16633

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

(Exact name of registrant as specified in its Charter)

MISSOURI
(State or other jurisdiction of
incorporation or organization)

43-1450818
(IRS Employer
Identification No.)

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

(Zip Code)
(314) 515-2000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of July 30, 2021, 1,230,379 units of limited partnership interest ("Interests") are outstanding, each representing \$1,000 of limited partner capital. There is no public or private market for such Interests.

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

<i>(Dollars in millions)</i>	<i>June 25, 2021</i>	<i>December 31, 2020</i>
ASSETS:		
Cash and cash equivalents	\$ 1,316	\$ 1,125
Cash and investments segregated under federal regulations	17,791	17,918
Securities purchased under agreements to resell	1,085	1,714
Receivables from:		
Clients	3,850	3,504
Mutual funds, insurance companies and other	851	818
Brokers, dealers and clearing organizations	253	223
Securities owned, at fair value:		
Investment securities	767	1,302
Inventory securities	30	32
Lease right-of-use assets	921	915
Equipment, property and improvements, at cost, net of accumulated depreciation and amortization	638	620
Other assets	146	149
TOTAL ASSETS	\$ 27,648	\$ 28,320
LIABILITIES:		
Payables to:		
Clients	\$ 21,005	\$ 21,241
Brokers, dealers and clearing organizations	73	96
Accrued compensation and employee benefits	1,826	2,104
Lease liabilities	943	938
Accounts payable, accrued expenses and other	248	352
	24,095	24,731
Contingencies (Note 7)		
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals and partnership loans:		
Limited partners	1,232	1,237
Subordinated limited partners	583	538
General partners	1,492	1,300
Total	3,307	3,075
Reserve for anticipated withdrawals	246	514
Total partnership capital subject to mandatory redemption	3,553	3,589
TOTAL LIABILITIES	\$ 27,648	\$ 28,320

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

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

(Dollars in millions, except per unit information and units outstanding)	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 25, 2021</i>	<i>June 26, 2020</i>	<i>June 25, 2021</i>	<i>June 26, 2020</i>
Revenue:				
Fee revenue				
Asset-based	\$ 2,385	\$ 1,718	\$ 4,594	\$ 3,524
Account and activity	171	160	341	331
Total fee revenue	2,556	1,878	4,935	3,855
Trade revenue	437	395	879	888
Interest and dividends	40	41	78	124
Other revenue, net	24	34	42	4
Total revenue	3,057	2,348	5,934	4,871
Interest expense	23	23	47	55
Net revenue	3,034	2,325	5,887	4,816
Operating expenses:				
Compensation and benefits	2,148	1,646	4,187	3,410
Occupancy and equipment	135	130	269	261
Communications and data processing	115	106	219	207
Fund sub-adviser fees	59	44	115	86
Professional and consulting fees	34	23	65	52
Other operating expenses	100	88	209	209
Total operating expenses	2,591	2,037	5,064	4,225
Income before allocations to partners	443	288	823	591
Allocations to partners:				
Limited partners	58	42	107	92
Subordinated limited partners	52	34	98	69
General partners	333	212	618	430
Net Income	\$ —	\$ —	\$ —	\$ —
Income allocated to limited partners per weighted average \$1,000 equivalent limited partnership unit outstanding	\$ 46.66	\$ 33.10	\$ 86.74	\$ 68.00
Weighted average \$1,000 equivalent limited partnership units outstanding	1,231,702	1,244,724	1,234,095	1,246,549

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

THE JONES FINANCIAL COMPANIES, L.L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERSHIP CAPITAL
SUBJECT TO MANDATORY REDEMPTION
FOR THE THREE AND SIX MONTHS ENDED JUNE 25, 2021
(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, DECEMBER 31, 2020	\$ 1,362	\$ 594	\$ 1,633	\$ 3,589
Reserve for anticipated withdrawals	(125)	(56)	(333)	(514)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, December 31, 2020	\$ 1,237	\$ 538	\$ 1,300	\$ 3,075
Partnership loans outstanding, December 31, 2020	—	1	340	341
Total partnership capital, including capital financed with partnership loans, net of reserve for anticipated withdrawals, December 31, 2020	1,237	539	1,640	3,416
Issuance of partnership interests	3	60	211	274
Redemption of partnership interests	(5)	(16)	(50)	(71)
Income allocated to partners	49	46	285	380
Distributions	—	—	(3)	(3)
Total partnership capital, including capital financed with partnership loans, March 26, 2021	1,284	629	2,083	3,996
Issuance of partnership interests	2	—	9	11
Redemption of partnership interests	(5)	—	(8)	(13)
Income allocated to partners	58	52	333	443
Distributions	(10)	(82)	(397)	(489)
Total partnership capital, including capital financed with partnership loans, June 25, 2021	1,329	599	2,020	3,948
Partnership loans outstanding, June 25, 2021	—	—	(395)	(395)
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, JUNE 25, 2021	\$ 1,329	\$ 599	\$ 1,625	\$ 3,553
Reserve for anticipated withdrawals	(97)	(16)	(133)	(246)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, June 25, 2021	\$ 1,232	\$ 583	\$ 1,492	\$ 3,307

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

THE JONES FINANCIAL COMPANIES, L.L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERSHIP CAPITAL
SUBJECT TO MANDATORY REDEMPTION
FOR THE THREE AND SIX MONTHS ENDED JUNE 26, 2020

<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, DECEMBER 31, 2019	\$ 1,359	\$ 566	\$ 1,439	\$ 3,364
Reserve for anticipated withdrawals	(110)	(43)	(254)	(407)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, December 31, 2019	\$ 1,249	\$ 523	\$ 1,185	\$ 2,957
Partnership loans outstanding, December 31, 2019	—	4	356	360
Total partnership capital, including capital financed with partnership loans, net of reserve for anticipated withdrawals, December 31, 2019	1,249	527	1,541	3,317
Issuance of partnership interests	1	49	163	213
Redemption of partnership interests	(3)	(35)	(43)	(81)
Income allocated to partners	50	35	218	303
Distributions	—	—	(5)	(5)
Total partnership capital, including capital financed with partnership loans, March 27, 2020	1,297	576	1,874	3,747
Issuance of partnership interests	—	—	—	—
Redemption of partnership interests	(3)	(1)	(2)	(6)
Income allocated to partners	42	34	212	288
Distributions	(14)	(58)	(277)	(349)
Total partnership capital, including capital financed with partnership loans, June 26, 2020	1,322	551	1,807	3,680
Partnership loans outstanding	—	(1)	(387)	(388)
TOTAL PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION, JUNE 26, 2020	\$ 1,322	\$ 550	\$ 1,420	\$ 3,292
Reserve for anticipated withdrawals	(78)	(11)	(89)	(178)
Partnership capital subject to mandatory redemption, net of reserve for anticipated withdrawals, June 26, 2020	\$ 1,244	\$ 539	\$ 1,331	\$ 3,114

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

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

	<i>Six Months Ended</i>	
	<i>June 25, 2021</i>	<i>June 26, 2020</i>
<i>(Dollars in millions)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ —	\$ —
Adjustments to reconcile net income to net cash provided by operating activities:		
Income before allocations to partners	823	591
Depreciation and amortization	61	62
Changes in assets and liabilities:		
Investments segregated under federal regulations	43	(4,702)
Securities purchased under agreements to resell	629	250
Net payable to clients	(582)	3,138
Net receivable from brokers, dealers and clearing organizations	(53)	(2)
Receivable from mutual funds, insurance companies and other	(33)	(30)
Securities owned	537	(72)
Lease right-of-use assets	(6)	(14)
Other assets	3	69
Lease liabilities	5	9
Accrued compensation and employee benefits	(278)	(345)
Accounts payable, accrued expenses and other	(104)	(74)
Net cash provided by (used in) operating activities	1,045	(1,120)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, property and improvements	(79)	(80)
Cash used in investing activities	(79)	(80)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of partnership interests	65	50
Redemption of partnership interests	(84)	(87)
Distributions from partnership capital	(840)	(626)
Net cash used in financing activities	(859)	(663)
Net increase (decrease) in cash, cash equivalents and restricted cash	107	(1,863)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period	6,875	8,007
End of period	<u>\$ 6,982</u>	<u>\$ 6,144</u>

See Note 10 for additional cash flow information.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

THE JONES FINANCIAL COMPANIES, L.L.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" or "JFC"). The financial position of the Partnership's subsidiaries in Canada as of May 31, 2021 and November 30, 2020 are included in the Partnership's Consolidated Statements of Financial Condition and the results for the three- and six-month periods ended May 31, 2021 and 2020 are included in the Partnership's Consolidated Statements of Income, Consolidated Statements of Changes in Partnership Capital Subject to Mandatory Redemption, and Consolidated Statements of Cash Flows because of the timing of the Partnership's financial reporting process.

The Partnership's principal operating subsidiary, Edward D. Jones & Co., L.P. ("Edward Jones"), is a registered broker-dealer and investment adviser in the United States ("U.S."), and one of Edward Jones' subsidiaries is a registered broker-dealer in Canada. Through these entities, the Partnership primarily serves individual investors in the U.S. and Canada. Edward Jones is a retail brokerage business and primarily derives revenues from fees for providing investment advisory and other account services to its clients, fees for assets held by clients, the distribution of mutual fund shares, and commissions for the purchase or sale of securities and the purchase of insurance products. 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- and six-month periods ended June 25, 2021 and June 26, 2020, see Note 8 to the Consolidated Financial Statements. Trust services are offered to Edward Jones' U.S. clients through Edward Jones Trust Company ("Trust Co."), a wholly owned subsidiary of the Partnership. Olive Street Investment Advisers, LLC, a wholly owned subsidiary of the Partnership, provides investment advisory services to the eight sub-advised mutual funds comprising the Bridge Builder® Trust. Passport Research, Ltd., a wholly owned subsidiary of the Partnership, provides investment advisory services to the sub-advised Edward Jones Money Market Fund (the "Money Market Fund").

The Consolidated Financial Statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, which require the use of certain estimates by management in determining the Partnership's assets, liabilities, revenues and expenses. Actual results could differ from these estimates. Given the ongoing uncertainty of the coronavirus pandemic and related events ("COVID-19") and its duration, the Partnership cannot reliably predict the ultimate impact of COVID-19 on financial markets or its financial results. The Partnership evaluated subsequent events for recognition or disclosure through the date these Consolidated Financial Statements were issued and identified no matters requiring disclosure.

The interim financial information included herein is unaudited. However, in the opinion of management, such information includes all adjustments, consisting primarily of normal recurring accruals, which are necessary for a fair statement of the results of interim operations.

There have been no material changes to the Partnership's significant accounting policies or disclosures of recently issued accounting standards as described in Part II, Item 8 – Financial Statements and Supplementary Data – Note 1 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Annual Report"). The results of operations for the three- and six-month periods ended June 25, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021. These unaudited Consolidated Financial Statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and notes thereto included in the Annual Report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 2 – LEASES

For the three- and six-month periods ended June 25, 2021 and June 26, 2020, cash paid for amounts included in the measurement of operating lease liabilities was \$82 and \$160 and \$76 and \$151, respectively, and lease right-of-use assets obtained in exchange for new operating lease liabilities were \$80 and \$155 and \$75 and \$161, respectively. The weighted-average remaining lease term was four years as of both June 25, 2021 and December 31, 2020, and the weighted-average discount rate was 2.3% and 2.6%, respectively.

For the three- and six-month periods ended June 25, 2021 and June 26, 2020, operating lease costs were \$80 and \$158 and \$75 and \$149, respectively, and variable lease costs not included in the lease liability were \$15 and \$29 and \$15 and \$30, respectively. Total lease cost for the three- and six-month periods ended June 25, 2021 and June 26, 2020 was \$95 and \$187 and \$90 and \$179, respectively. The Partnership's future undiscounted cash outflows for operating leases are summarized below as of:

	June 25, 2021	December 31, 2020
2021	\$ 159	\$ 300
2022	276	247
2023	220	190
2024	154	125
2025	94	65
Thereafter	84	60
Total lease payments	987	987
Less: Interest	44	49
Total present value of lease liabilities	<u>\$ 943</u>	<u>\$ 938</u>

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

NOTE 3 – RECEIVABLES AND REVENUE

As of June 25, 2021 and December 31, 2020, collateral held for receivables from clients was \$4,400 and \$4,035, respectively, and collateral held for securities purchased under agreements to resell was \$1,101 and \$1,743, respectively. As the fair value of the collateral either exceeded or was at least 100% of the amortized cost, the expected credit loss was zero for each period. Additionally, partnership loan values remained below the value of capital allocated to partners, resulting in an expected credit loss of zero as of June 25, 2021 and December 31, 2020.

As of June 25, 2021, December 31, 2020 and December 31, 2019, \$647, \$563 and \$470, respectively, of the receivable from clients balance and \$325, \$285 and \$291, respectively, of the receivable from mutual funds, insurance companies and other balance related to revenue contracts with customers. The related fees are paid out of client accounts or third-party products consisting of cash and securities, and the collateral value of those accounts continues to exceed the amortized cost basis of these receivables, resulting in a remote risk of loss. The expected credit loss for receivables from contracts with customers was zero as of June 25, 2021 and December 31, 2020.

The Partnership derived 11% and 12% of its total revenue for the three- and six-month periods ended June 25, 2021, respectively, and 13% and 14% of its total revenue for the three- and six-month periods ended June 26, 2020, respectively, from one mutual fund company. The revenue generated from this company relates to business conducted with the Partnership's U.S. segment.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

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

	Three Months Ended June 25, 2021			Three Months Ended June 26, 2020		
	U.S.	Canada	Total	U.S.	Canada	Total
Fee revenue:						
Asset-based fee revenue:						
Advisory programs fees	\$ 1,782	\$ 31	\$ 1,813	\$ 1,238	\$ 20	\$ 1,258
Service fees	388	29	417	304	19	323
Other asset-based fees	155	—	155	137	—	137
Total asset-based fee revenue	2,325	60	2,385	1,679	39	1,718
Account and activity fee revenue:						
Shareholder accounting services fees	109	—	109	104	—	104
Other account and activity fee revenue	59	3	62	53	3	56
Total account and activity fee revenue	168	3	171	157	3	160
Total fee revenue	2,493	63	2,556	1,836	42	1,878
Trade revenue:						
Commissions	412	14	426	364	14	378
Principal transactions	10	1	11	16	1	17
Total trade revenue	422	15	437	380	15	395
Total revenue from customers	2,915	78	2,993	2,216	57	2,273
Net interest and dividends and other revenue	39	2	41	45	7	52
Net revenue	<u>\$ 2,954</u>	<u>\$ 80</u>	<u>\$ 3,034</u>	<u>\$ 2,261</u>	<u>\$ 64</u>	<u>\$ 2,325</u>

	Six Months Ended June 25, 2021			Six Months Ended June 26, 2020		
	U.S.	Canada	Total	U.S.	Canada	Total
Fee revenue:						
Asset-based fee revenue:						
Advisory programs fees	\$ 3,422	\$ 58	\$ 3,480	\$ 2,519	\$ 39	\$ 2,558
Service fees	754	54	808	620	43	663
Other asset-based fees	306	—	306	303	—	303
Total asset-based fee revenue	4,482	112	4,594	3,442	82	3,524
Account and activity fee revenue:						
Shareholder accounting services fees	216	—	216	213	—	213
Other account and activity fee revenue	118	7	125	112	6	118
Total account and activity fee revenue	334	7	341	325	6	331
Total fee revenue	4,816	119	4,935	3,767	88	3,855
Trade revenue:						
Commissions	831	28	859	828	27	855
Principal transactions	19	1	20	31	2	33
Total trade revenue	850	29	879	859	29	888
Total revenue from customers	5,666	148	5,814	4,626	117	4,743
Net interest and dividends and other revenue	67	6	73	58	15	73
Net revenue	<u>\$ 5,733</u>	<u>\$ 154</u>	<u>\$ 5,887</u>	<u>\$ 4,684</u>	<u>\$ 132</u>	<u>\$ 4,816</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 4 – FAIR VALUE

The Partnership's valuation methodologies for financial assets and financial liabilities measured at fair value and the fair value hierarchy are described in Part II, Item 8 – Financial Statements and Supplementary Data – Note 1 of the Partnership's Annual Report. There have been no material changes to the Partnership's valuation methodologies since December 31, 2020.

The Partnership did not have any assets or liabilities categorized as Level III during the six- and twelve-month periods ended June 25, 2021 and December 31, 2020, respectively.

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

	Financial Assets at Fair Value as of June 25, 2021			
	Level I	Level II	Level III	Total
Cash equivalents:				
Certificates of deposit	\$ —	\$ 120	\$ —	\$ 120
Money market funds	29	—	—	29
Total cash equivalents	<u>\$ 29</u>	<u>\$ 120</u>	<u>\$ —</u>	<u>\$ 149</u>
Investments segregated under federal regulations:				
U.S. treasuries	\$ 12,098	\$ —	\$ —	\$ 12,098
Securities owned:				
Investment securities:				
Mutual funds ⁽¹⁾	\$ 348	\$ —	\$ —	\$ 348
Government and agency obligations	315	—	—	315
Certificates of deposit	—	100	—	100
Equities	4	—	—	4
Total investment securities	<u>\$ 667</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ 767</u>
Inventory securities:				
State and municipal obligations	\$ —	\$ 15	\$ —	\$ 15
Equities	8	—	—	8
Mutual funds	5	—	—	5
Corporate bonds and notes	—	1	—	1
Certificates of deposit	—	1	—	1
Total inventory securities	<u>\$ 13</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ 30</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

	Financial Assets at Fair Value as of December 31, 2020			
	Level I	Level II	Level III	Total
Cash equivalents:				
Certificates of deposit	\$ —	\$ 120	\$ —	\$ 120
Money market funds	41	—	—	41
Total cash equivalents	<u>\$ 41</u>	<u>\$ 120</u>	<u>\$ —</u>	<u>\$ 161</u>
Investments segregated under federal regulations:				
U.S. treasuries	\$ 12,051	\$ —	\$ —	\$ 12,051
Certificates of deposit	—	100	—	100
Total investments segregated under federal regulations	<u>\$ 12,051</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ 12,151</u>
Securities owned:				
Investment securities:				
Government and agency obligations	\$ 971	\$ —	\$ —	\$ 971
Mutual funds ⁽¹⁾	327	—	—	327
Equities	3	—	—	3
Certificates of deposit	—	1	—	1
Total investment securities	<u>\$ 1,301</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1,302</u>
Inventory securities:				
Equities	\$ 19	\$ —	\$ —	\$ 19
State and municipal obligations	—	10	—	10
Corporate bonds and notes	—	2	—	2
Mutual funds	1	—	—	1
Total inventory securities	<u>\$ 20</u>	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ 32</u>

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

NOTE 5 – PARTNERSHIP CAPITAL SUBJECT TO MANDATORY REDEMPTION

The Partnership makes loans available to those general partners and, in limited circumstances, subordinated limited partners (in each case, other than members of the Executive Committee, as defined in the Partnership's Twentieth Amended and Restated Agreement of Registered Limited Liability Limited Partnership, dated August 6, 2018 (the "Partnership Agreement")), who require financing for some or all of their Partnership capital contributions. In limited circumstances a general partner may withdraw from the Partnership and become a subordinated limited partner while he or she still has an outstanding Partnership loan. It is anticipated that, of the future general and subordinated limited partnership capital contributions (in each case, other than for Executive Committee members) requiring financing, the majority will be financed through Partnership loans. Loans made by the Partnership to such partners are generally for a period of one year but are expected to be renewed and bear interest at the greater of the Prime Rate for the last business day of the prior fiscal month or 3.25%. The Partnership recognizes interest income for the interest earned related to these loans. The outstanding amount of Partnership loans is reflected as a reduction to total Partnership capital. As of June 25, 2021 and December 31, 2020, the outstanding amount of Partnership loans was \$395 and \$341, respectively. Interest income earned from these loans, which is included in interest and dividends in the Consolidated Statements of Income, was \$4 and \$7 for the three- and six-month periods ended June 25, 2021, respectively, and \$3 and \$8 for the three- and six-month periods ended June 26, 2020, respectively.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

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

	Six Months Ended	
	June 25, 2021	June 26, 2020
Partnership loans outstanding at beginning of period	\$ 341	\$ 360
Partnership loans issued during the period	220	163
Repayment of Partnership loans during the period	(166)	(135)
Total Partnership loans outstanding	<u>\$ 395</u>	<u>\$ 388</u>

The minimum 7.5% annual return on the face amount of limited partnership capital was \$23 and \$46 for the three- and six-month periods ended June 25, 2021, respectively, and \$24 and \$47 for the three- and six-month periods ended June 26, 2020, respectively. These amounts are included as a component of interest expense in the Consolidated Statements of Income.

The Partnership filed a Registration Statement on Form S-8 with the U.S. Securities and Exchange Commission ("SEC") on January 12, 2018, to register \$450 of Interests issuable pursuant to the Partnership's 2018 Employee Limited Partnership Interest Purchase Plan (the "2018 Plan"). In addition to issuances of Interests in prior periods, the Partnership issued approximately \$1 and \$5 of Interests under the 2018 Plan in 2020 and the first half of 2021, respectively. The remaining \$64 of Interests may be issued under the Plan at the discretion of the Managing Partner in the future.

NOTE 6 – NET CAPITAL REQUIREMENTS

As a result of its activities as a U.S. broker-dealer, Edward Jones is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and capital compliance rules of the Financial Industry Regulatory Authority ("FINRA") 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 subsidiary is a registered broker-dealer regulated by the Investment Industry Regulatory Organization of Canada ("IIROC"). Under the regulations prescribed by IIROC, the Partnership's Canada broker-dealer subsidiary is required to maintain minimum levels of risk-adjusted capital, which are dependent on the nature of the Partnership's Canada broker-dealer subsidiary's assets and operations.

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

	June 25, 2021	December 31, 2020
U.S.:		
Net capital	\$ 1,348	\$ 1,306
Net capital in excess of the minimum required	\$ 1,285	\$ 1,248
Net capital as a percentage of aggregate debit items	42.7%	45.0%
Net capital after anticipated capital withdrawals, as a percentage of aggregate debit items	21.6%	23.1%
Canada:		
Regulatory risk-adjusted capital	\$ 52	\$ 56
Regulatory risk-adjusted capital in excess of the minimum required to be held by IIROC	\$ 52	\$ 47

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 7 – CONTINGENCIES

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

Wage-and-Hour Class Action. On March 13, 2018, JFC and Edward Jones were named as defendants in a purported collective and class action lawsuit (*Bland, et al. v. Edward D. Jones & Co., L.P., et al.*) filed in the U.S. District Court for the Northern District of Illinois by four former financial advisors. The lawsuit was brought under the Fair Labor Standards Act (FLSA) as well as Missouri and Illinois law and alleges that the defendants unlawfully attempted to recoup training costs from departing financial advisors and failed to pay all overtime owed to financial advisor trainees among other claims. The lawsuit seeks declaratory and injunctive relief, compensatory and liquidated damages. On March 19, 2019, the court entered an order granting the defendants' motion to dismiss all claims, but permitting the plaintiffs to amend and re-file certain of their claims. Plaintiffs filed an amended complaint on May 3, 2019. On March 30, 2020, the court partially granted the defendants' renewed motion to dismiss the amended complaint and dismissed seven of the ten causes of action it purported to state. The court's order eliminated from the case any claims that rely upon the firm's contractual right to recoup training costs as well as related claims for declaratory relief. It also dismissed various state law claims. JFC and Edward Jones deny the allegations in the remaining counts and intend to vigorously defend against the allegations in this lawsuit.

Securities Class Action. On March 30, 2018, Edward Jones and its affiliated entities and individuals were named as defendants in a putative class action (*Anderson, et al. v. Edward D. Jones & Co., L.P., et al.*) filed in the U.S. District Court for the Eastern District of California. The lawsuit was brought under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act, as well as Missouri and California law and alleges that the defendants inappropriately transitioned client assets from commission-based accounts to fee-based programs. The plaintiffs requested declaratory, equitable, and exemplary relief, and compensatory damages. On July 9, 2019, the district court entered an order dismissing the lawsuit in its entirety without prejudice. On July 29, 2019, the plaintiffs filed a second amended complaint, which eliminated certain affiliated entities and individuals as defendants, withdrew the claims under the Securities Act, added claims under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"), and certain additional state law claims, and reasserted the remaining claims with modified allegations. The defendants filed a motion to dismiss, the plaintiffs subsequently withdrew their Investment Advisers Act claims, and on November 12, 2019, the district court granted defendants' motion to dismiss. The plaintiffs appealed the district court's dismissal of certain of their state law claims but did not appeal the dismissal of the remaining claims. On March 4, 2021, the U.S. Court of Appeals for the Ninth Circuit reversed the district court's decision, holding the district court has jurisdiction over the state law claims that were the subject of the plaintiffs' appeal, and remanded the case to the district court for further proceedings on those claims. On May 14, 2021, the Ninth Circuit panel denied defendants' April 19, 2021 petition for panel rehearing and rehearing en banc. On May 20, 2021, defendants filed a motion to stay further proceedings pending defendants' filing of a petition for certiorari with the U.S. Supreme Court, which the Ninth Circuit granted on May 21, 2021. Edward Jones and its affiliated entities and individuals deny the plaintiffs' allegations and intend to continue to vigorously defend this lawsuit.

Discrimination Class Action. On May 24, 2018, Edward Jones and JFC were named as defendants in a putative class action lawsuit (*Bland v. Edward D. Jones & Co., L.P., et al.*) filed in the U.S. District Court for the Northern District of Illinois by a former financial advisor under 42 U.S.C. § 1981, alleging that the defendants discriminated against the former financial advisor and other financial advisors and financial advisor trainees on the basis of race. On July 27, 2018, two named plaintiffs filed an amended complaint adding allegations of discrimination and retaliation under 42 U.S.C. § 2000e, Title VII of the Civil Rights Act of 1964 and retaliation under 42 U.S.C. § 1981. Three named plaintiffs filed a second amended complaint on November 26, 2018 and a third amended complaint on December 30, 2020. The plaintiffs sought equitable and injunctive relief, as well as compensatory and punitive damages. On May 4, 2021, the district court granted a motion plaintiffs filed on March 19, 2021 seeking preliminary approval of a settlement agreement reached by the parties. On July 1, 2021, plaintiffs filed a motion seeking final approval of the settlement. The district court granted the motion at a hearing on July 12, 2021 and issued a final approval order on July 15, 2021. The settlement is in the process of being administered.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

Reimbursement Class Action. On April 25, 2019, Edward Jones and JFC were named as defendants in a putative class action (*Watson, et al. v. The Jones Financial Companies L.L.P., et al.*) filed by two former financial advisors in the Superior Court of the State of California, Sacramento County. Plaintiffs allege that defendants did not reimburse financial advisors and financial advisor trainees in California for certain categories of business expenses, which plaintiffs allege violates the California Labor Code and California Unfair Competition Law. The lawsuit seeks damages and restitution as well as attorneys' fees and costs and equitable and injunctive relief. On February 19, 2020, the plaintiffs filed a motion seeking the court's approval of a proposed class action settlement reached by the parties. On November 16, 2020, the court granted final approval of the settlement. Administration of the settlement is substantially complete.

In addition to these matters, the Partnership provides for potential losses that may arise related to other contingencies. The Partnership assesses its liabilities and contingencies utilizing available information. The Partnership accrues for potential losses for those matters where it is probable that the Partnership will incur a potential loss to the extent that the amount of such potential loss can be reasonably estimated, in accordance with Financial Accounting Standards Board Accounting Standards Codification No. 450, *Contingencies*. This liability represents the Partnership's estimate of the probable loss at June 25, 2021, after considering, among other factors, the progress of each case, the Partnership's experience with other legal and regulatory matters and discussion with legal counsel, and is believed to be sufficient. The aggregate accrued liability is within the accounts payable, accrued expenses and other line of the Consolidated Statements of Financial Condition and may be adjusted from time to time to reflect any relevant developments.

For such matters where an accrued liability has not been established and the Partnership believes a loss is both reasonably possible and estimable, as well as for matters where an accrued liability has been recorded but for which an exposure to loss in excess of the amount accrued is both reasonably possible and estimable, the current estimated aggregated range of additional possible loss is up to \$13 as of June 25, 2021. This range of reasonably possible loss does not necessarily represent the Partnership's maximum loss exposure as the Partnership was not able to estimate a range of reasonably possible loss for all matters.

Further, the matters underlying any disclosed estimated range will change from time to time, and actual results may vary significantly. While the outcome of these matters is inherently uncertain, based on information currently available, the Partnership believes that its established liabilities at June 25, 2021 are adequate, and the liabilities arising from such matters will not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Partnership. However, based on future developments and the potential unfavorable resolution of these matters, the outcome could be material to the Partnership's future consolidated operating results for a particular period or periods.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 8 – SEGMENT INFORMATION

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

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

	Three Months Ended		Six Months Ended	
	June 25, 2021	June 26, 2020	June 25, 2021	June 26, 2020
Net revenue:				
U.S.	\$ 2,954	\$ 2,261	\$ 5,733	\$ 4,684
Canada	80	64	154	132
Total net revenue	<u>\$ 3,034</u>	<u>\$ 2,325</u>	<u>\$ 5,887</u>	<u>\$ 4,816</u>
Pre-variable income:				
U.S.	\$ 915	\$ 569	\$ 1,756	\$ 1,205
Canada	13	9	21	14
Total pre-variable income	<u>\$ 928</u>	<u>\$ 578</u>	<u>\$ 1,777</u>	<u>\$ 1,219</u>
Variable compensation:				
U.S.	\$ 473	\$ 283	\$ 933	\$ 614
Canada	12	7	21	14
Total variable compensation	<u>\$ 485</u>	<u>\$ 290</u>	<u>\$ 954</u>	<u>\$ 628</u>
Income before allocations to partners:				
U.S.	\$ 442	\$ 286	\$ 823	\$ 591
Canada	1	2	—	—
Total income before allocations to partners	<u>\$ 443</u>	<u>\$ 288</u>	<u>\$ 823</u>	<u>\$ 591</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements, continued

NOTE 9 – OFFSETTING ASSETS AND LIABILITIES

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

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

	Gross amounts of recognized assets	Gross amounts offset in the Consolidated Statements of Financial Condition	Net amounts presented in the Consolidated Statements of Financial Condition	Gross amounts not offset in the Consolidated Statements of Financial Condition	Financial instruments	Securities collateral ⁽¹⁾	Net amount
June 25, 2021	\$ 1,085	—	1,085	—	(1,085)	\$	—
December 31, 2020	\$ 1,714	—	1,714	—	(1,714)	\$	—

⁽¹⁾ Actual collateral was 102% of the related assets in U.S. agreements and 100% in Canada agreements as of all dates presented.

NOTE 10 – CASH FLOW INFORMATION

The following table shows supplemental cash flow information for:

	Six Months Ended	
	June 25, 2021	June 26, 2020
Non-cash activities:		
Issuance of general partnership interests through partnership loans in current period	\$ 220	\$ 163
Repayment of partnership loans through distributions from partnership capital in current period	\$ 166	\$ 135

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

	June 25, 2021	June 26, 2020
Cash and cash equivalents	\$ 1,316	\$ 1,228
Cash and investments segregated under federal regulations	17,791	13,012
Less: Investments segregated under federal regulations	12,125	8,096
Total cash, cash equivalents and restricted cash	<u>\$ 6,982</u>	<u>\$ 6,144</u>

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

PART I. FINANCIAL INFORMATION

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

The following Management's Discussion and Analysis is intended to help the reader understand the results of operations 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 Part I, Item 1 – Financial Statements of this Quarterly Report on Form 10-Q, the Quarterly Report on Form 10-Q for the period ended March 26, 2021, and Part II, Item 8 – Financial Statements and Supplementary Data of the Partnership's Annual Report. All amounts are presented in millions, except as otherwise noted.

Basis of Presentation

The Partnership broadly categorizes its net revenues into four categories: fee revenue, trade revenue, net interest and dividends revenue (net of interest expense) and other revenue. In the Partnership's Consolidated Statements of Income, fee revenue is composed of asset-based fees and account and activity fees. 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 changes 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 composed of commissions and principal transactions revenue. Commissions are earned from the purchase or sale of mutual fund shares and equities, as well as the purchase of insurance products. Principal transactions revenue primarily results from the Partnership's distribution of, and participation in, principal trading activities in municipal obligations, over-the-counter corporate obligations and certificates of deposit. Trade revenue is impacted by trading volume (client dollars invested), mix of the products in which clients invest, size of trades, 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 outstanding, and the balances of Partnership loans.

COVID-19

Beginning in 2020, the COVID-19 pandemic and the global governmental response, vaccination, and related impact on society and the economy have resulted in significant uncertainty in the global economy and volatility in financial markets (see Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and notes thereto included in Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 8 – Financial Statements and Supplementary Data of the Partnership's Annual Report, respectively). Further economic and market events related to COVID-19 could negatively impact our future business operations and financial results.

PART I. FINANCIAL INFORMATION

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

OVERVIEW

The following table sets forth the changes in major categories of the Consolidated Statements of Income as well as several related key metrics for the three- and six-month periods ended June 25, 2021 and June 26, 2020. Management of the Partnership relies on this financial information and the related metrics to evaluate the Partnership's operating performance and financial condition.

	Three Months Ended			Six Months Ended		
	June 25, 2021	June 26, 2020	% Change	June 25, 2021	June 26, 2020	% Change
Revenue:						
Fee revenue:						
Asset-based	\$ 2,385	\$ 1,718	39%	\$ 4,594	\$ 3,524	30%
Account and activity	171	160	7%	341	331	3%
Total fee revenue	2,556	1,878	36%	4,935	3,855	28%
% of net revenue	84%	81%	4%	84%	80%	5%
Trade revenue	437	395	11%	879	888	-1%
% of net revenue	14%	17%	-15%	15%	18%	-19%
Net interest and dividends	17	18	-6%	31	69	-55%
Other revenue, net	24	34	29%	42	4	950%
Net revenue	3,034	2,325	30%	5,887	4,816	22%
Operating expenses	2,591	2,037	27%	5,064	4,225	20%
Income before allocations to partners	<u>\$ 443</u>	<u>\$ 288</u>	<u>54%</u>	<u>\$ 823</u>	<u>\$ 591</u>	<u>39%</u>
Related metrics:						
Client dollars invested (\$ billions) ⁽¹⁾ :						
Trade	\$ 27	\$ 27	—	\$ 55	\$ 62	-11%
Advisory programs	\$ 20	\$ 8	150%	\$ 38	\$ 18	111%
Client households at period end	5.8	5.6	4%	5.8	5.6	4%
Net new assets for the period (\$ billions) ⁽²⁾	\$ 23	\$ 15	53%	\$ 43	\$ 34	26%
Client assets under care (\$ billions):						
Total:						
At period end	\$ 1,714	\$ 1,305	31%	\$ 1,714	\$ 1,305	31%
Average	\$ 1,674	\$ 1,249	34%	\$ 1,624	\$ 1,283	27%
Advisory programs:						
At period end	\$ 646	\$ 452	43%	\$ 646	\$ 452	43%
Average	\$ 625	\$ 428	46%	\$ 600	\$ 438	37%
Financial advisors (actual):						
At period end	18,855	19,161	-2%	18,855	19,161	-2%
Average	18,913	19,121	-1%	19,008	18,987	—
Attrition % ⁽³⁾	6.6%	5.0%	n/a	7.4%	6.3%	n/a
Dow Jones Industrial Average (actual):						
At period end	34,434	25,016	38%	34,434	25,016	38%
Average for period	34,045	24,413	39%	32,801	25,576	28%
S&P 500 Index (actual):						
At period end	4,281	3,009	42%	4,281	3,009	42%
Average for period	4,165	2,911	43%	4,018	2,994	34%

⁽¹⁾ Client dollars invested for trade revenue represents the principal amount of clients' buy and sell transactions resulting in revenue and for advisory programs revenue represents the net of the inflows and outflows of client dollars into advisory programs.

⁽²⁾ Net new assets represents cash and securities inflows and outflows from new and existing clients and excludes mutual fund capital gain distributions received by U.S. clients.

⁽³⁾ Attrition % represents the annualized number of financial advisors that left the firm during the period compared to the total number of financial advisors as of period end.

PART I. FINANCIAL INFORMATION

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

Second Quarter 2021 versus Second Quarter 2020 Overview

The Partnership ended the second quarter of 2021 with a 31% increase in client assets under care to \$1.7 trillion compared to the end of the second quarter of 2020. Average client assets under care were also \$1.7 trillion during the second quarter of 2021, a 34% increase compared to the same period in 2020 due to increases in the market value of client assets, as well as the cumulative impact of client dollars invested. Net new assets increased 53% to \$23 billion during the second quarter of 2021 compared to the second quarter of 2020.

Advisory programs' average assets under care increased 46% to \$625 billion in the second quarter of 2021 due to higher average market levels compared to the same period in 2020 and the continued increase in investment of client assets into advisory programs.

Net revenue increased 30% to \$3,034 for the second quarter of 2021 compared to the same period in 2020. Results reflected a 39% increase in asset-based fee revenue, primarily due to average market increases, as well as the cumulative impact of net asset inflows into advisory programs in both 2021 and 2020. The increase in net revenue was also due to an 11% increase in trade revenue in the second quarter of 2021 compared to the same period in 2020. Trade revenue increased primarily due to higher overall margins earned.

Operating expenses increased 27% to \$2,591 in the second quarter of 2021 compared to the second quarter of 2020, primarily due to an increase in compensation and benefits expense. Financial advisor compensation increased due to an increase in revenues on which commissions are earned. Variable compensation increased due to increases in the Partnership's profitability, including an increase in the number of profitable branches and an overall increase in branch profitability. Despite the increase in operating expenses, the Partnership continued to experience ongoing cost savings from limits on travel and in-person events due to COVID-19.

Overall, the increase in net revenue, offset by the increase in operating expenses, generated income before allocations to partners of \$443, a 54% increase from the second quarter of 2020.

Six Months Ended June 25, 2021 versus Six Months Ended June 26, 2020 Overview

Average client assets under care increased 27% to \$1.6 trillion during the first half of 2021 compared to the same period in 2020 due to increases in the market value of client assets, as well as the cumulative impact of client dollars invested. Net new assets increased 26% to \$43 billion during the first half of 2021 compared to the first half of 2020.

Advisory programs' average assets under care increased 37% in the first half of 2021 to \$600 billion due to higher average market levels compared to the same period in 2020 and the continued increase in investment of client assets into advisory programs.

Net revenue increased 22% to \$5,887 for the first half of 2021 compared to the same period in 2020. Results reflected a 30% increase in asset-based fee revenue, primarily due to average market increases, as well as the cumulative impact of net asset inflows into advisory programs in both 2021 and 2020.

Operating expenses increased 20% to \$5,064 in the first half of 2021 compared to 2020, primarily due to an increase in compensation and benefits expense. Financial advisor compensation increased largely due to an increase in revenues on which commissions are earned. Variable compensation increased due to increases in the Partnership's profitability, including an increase in the number of profitable branches and an overall increase in branch profitability. Despite the increase in operating expenses, the Partnership continued to experience ongoing cost savings from limits on travel and in-person events due to COVID-19.

Overall, the increase in net revenue, offset by the increase in operating expenses, generated income before allocations to partners of \$823, a 39% increase from the first half of 2020.

PART I. FINANCIAL INFORMATION

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

The COVID-19 pandemic and the global governmental response, vaccination, and related impact on society and the economy have resulted in significant uncertainty in the global economy and volatility in financial markets. Further economic and market events related to COVID-19 could negatively impact our future business operations and financial results.

The Partnership continues to assess its response to the COVID-19 pandemic. In the event the Partnership begins to experience adverse impacts in response to further economic or market events, the Partnership may consider resuming or adopting measures to reduce future operating expenses.

RESULTS OF OPERATIONS FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 25, 2021 AND JUNE 26, 2020

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

PART I. FINANCIAL INFORMATION

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

Fee Revenue

Fee revenue, which consists of asset-based fees and account and activity fees, increased 36% to \$2,556 and 28% to \$4,935 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020. A discussion of fee revenue components follows.

	Three Months Ended			Six Months Ended		
	June 25, 2021	June 26, 2020	% Change	June 25, 2021	June 26, 2020	% Change
Fee revenue:						
Asset-based fee revenue:						
Advisory programs fees	\$ 1,813	\$ 1,258	44%	\$ 3,480	\$ 2,558	36%
Service fees	417	323	29%	808	663	22%
Other asset-based fees	155	137	13%	306	303	1%
Total asset-based fee revenue	2,385	1,718	39%	4,594	3,524	30%
Account and activity fee revenue:						
Shareholder accounting services fees	109	104	5%	216	213	1%
Other account and activity fee revenue	62	56	11%	125	118	6%
Total account and activity fee revenue	171	160	7%	341	331	3%
Total fee revenue	<u>\$ 2,556</u>	<u>\$ 1,878</u>	<u>36%</u>	<u>\$ 4,935</u>	<u>\$ 3,855</u>	<u>28%</u>
Related metrics:						
Average U.S. client asset values (\$ billions) ⁽¹⁾ :						
Advisory programs	\$ 613.7	\$ 420.8	46%	\$ 589.9	\$ 430.9	37%
Mutual fund assets held outside of advisory programs	\$ 571.3	\$ 430.5	33%	\$ 555.6	\$ 443.6	25%
Insurance	\$ 89.0	\$ 72.3	23%	\$ 87.5	\$ 74.6	17%
Cash solutions	\$ 48.9	\$ 38.7	26%	\$ 48.7	\$ 37.1	31%

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

Overall asset-based fee revenue increased 39% to \$2,385 and 30% to \$4,594 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020, primarily due to increases in revenue from advisory programs fees, as well as increases in service fee revenue. Growth in revenue from advisory programs and service fees was due to higher average market levels in the second quarter and first half of 2021 compared to the same periods in 2020, as well as the continued increase in investment of client assets in advisory programs and mutual fund assets held outside of advisory programs. Other asset-based fee revenue increased in the second quarter and first half of 2021 compared to the same periods in 2020 due to the growth in client asset values in non-advisory programs. These increases were partially offset by declines in cash solutions revenue, which continues to be negatively impacted by increased fee waivers in order to maintain a positive client yield on the Money Market Fund following the decrease in the federal funds rate to near zero in March 2020.

PART I. FINANCIAL INFORMATION

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

Trade Revenue

Trade revenue, which consists of commissions and principal transactions, increased 11% to \$437 and decreased 1% to \$879 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020. A discussion of trade revenue components follows.

	Three Months Ended			Six Months Ended		
	June 25, 2021	June 26, 2020	% Change	June 25, 2021	June 26, 2020	% Change
Trade revenue:						
Commissions revenue:						
Mutual funds	\$ 206	\$ 150	37%	\$ 407	\$ 354	15%
Equities	148	164	-10%	316	371	-15%
Insurance products and other	72	64	13%	136	130	5%
Total commissions revenue	\$ 426	\$ 378	13%	\$ 859	\$ 855	—
Principal transactions	11	17	-35%	20	33	-39%
Total trade revenue	<u>\$ 437</u>	<u>\$ 395</u>	<u>11%</u>	<u>\$ 879</u>	<u>\$ 888</u>	<u>-1%</u>
Related metrics:						
Client dollars invested (\$ billions) ⁽¹⁾						
Mutual funds	\$ 13 49%	\$ 8 30%	63%	\$ 25 46%	\$ 19 31%	32%
Equities	10 37%	11 41%	-9%	22 40%	25 40%	-12%
Insurance products and other	2 7%	2 7%	—	4 7%	3 5%	33%
Principal transactions	2 7%	6 22%	-67%	4 7%	15 24%	-73%
Total client dollars invested	<u>\$ 27</u>	<u>\$ 27</u>	<u>—</u>	<u>\$ 55</u>	<u>\$ 62</u>	<u>-11%</u>
Margin per \$1,000 invested	\$ 16.4	\$ 14.8	11%	\$ 16.1	\$ 14.3	13%
U.S. business days	63	63	—	121	123	-2%

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

The 11% increase in trade revenue in the second quarter of 2021 compared to the same period in 2020 was primarily due to increases in overall margin earned. Overall margin earned increased due to a change in product mix with a higher portion of client dollars invested in mutual funds, which earn higher margins than equities and principal transaction products. Despite higher overall margins, margins earned on mutual funds have decreased due to changes in mutual fund fee structures, which has partially offset the increase in mutual funds revenue. Principal transactions revenue decreased as a result of a decrease in client dollars invested with lower interest rates on those products compared to the second quarter of 2020.

The 1% decrease in trade revenue for the first half of 2021 compared to the same period in 2020 was primarily due to decreases in equity commissions revenue and principal transactions revenue. The decrease in equity commissions revenue was primarily due to lower client dollars invested in equities compared to the first half of 2020, which had lower securities prices with market volatility related to COVID-19. The decrease in equity commissions revenue was partially offset by an increase in other commissions revenue in the first half of 2021 compared to the same period in 2020, primarily due to a change in the product mix with a higher portion of client dollars invested in mutual funds, which earn higher margins than equities and principal transaction products, resulting in an overall higher margin earned compared to the second half of 2020. Principal transactions revenue decreased as a result of a decrease in client dollars invested, due to lower interest rates on those products compared to the first half of 2020.

PART I. FINANCIAL INFORMATION

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

Net Interest and Dividends

Net interest and dividends revenue slightly decreased to \$17 in the second quarter of 2021 compared to the second quarter of 2020 due to lower average interest rates earned on short-term investment balances. In the first half of 2021, net interest and dividends revenue decreased 55% to \$31 compared to the same period in 2020 primarily due to interest rates remaining at record low levels since the Federal Reserve cut the federal funds effective rate to near zero in March 2020, which began impacting results in the second quarter of 2020 and therefore was only partially reflected in the results of the first half of 2020. Despite increases in short-term investment balances and client margin balances in the first half of 2021, interest income decreased from lower average interest rates earned on those balances compared to the same period in 2020. The decrease in interest revenue was partially offset by a decrease in customer credit interest expense in the first half of 2021 compared to the same period in 2020.

The majority of interest expense in the second quarter and first half of 2021 consisted of the minimum 7.5% annual return on the face amount of limited partnership capital paid to limited partners. The 7.5% rate is fixed and is not impacted by the low interest rate environment.

PART I. FINANCIAL INFORMATION

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

Operating Expenses

Operating expenses increased 27% to \$2,591 and 20% to \$5,064 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020, primarily due to an increase in compensation and benefits expense. A discussion of operating expense components follows.

	Three Months Ended			Six Months Ended		
	June 25, 2021	June 26, 2020	% Change	June 25, 2021	June 26, 2020	% Change
Operating expenses:						
Compensation and benefits:						
Financial advisor	\$ 1,237	\$ 962	29%	\$ 2,406	\$ 1,992	21%
Home office and branch	426	394	8%	827	790	5%
Variable compensation	485	290	67%	954	628	52%
Total compensation and benefits	2,148	1,646	30%	4,187	3,410	23%
Occupancy and equipment	135	130	4%	269	261	3%
Communications and data processing	115	106	8%	219	207	6%
Fund sub-adviser fees	59	44	34%	115	86	34%
Professional and consulting fees	34	23	48%	65	52	25%
Other operating expenses	100	88	14%	209	209	—
Total operating expenses	<u>\$ 2,591</u>	<u>\$ 2,037</u>	<u>27%</u>	<u>\$ 5,064</u>	<u>\$ 4,225</u>	<u>20%</u>
Related metrics (actual):						
Number of branches:						
At period end	15,377	15,356	—	15,377	15,356	—
Average	15,376	15,299	1%	15,368	15,229	1%
Financial advisors:						
At period end	18,855	19,161	-2%	18,855	19,161	-2%
Average	18,913	19,121	-1%	19,008	18,987	—
Branch office administrators ⁽¹⁾ :						
At period end	17,249	16,632	4%	17,249	16,632	4%
Average	17,155	16,824	2%	17,049	16,894	1%
Home office associates ⁽¹⁾ :						
At period end	7,128	6,921	3%	7,128	6,921	3%
Average	7,102	7,047	1%	7,062	7,069	—
Home office associates ⁽¹⁾ per 100 financial advisors (average)	37.6	36.9	2%	37.2	37.2	—
Branch office administrators ⁽¹⁾ per 100 financial advisors (average)	90.7	88.0	3%	89.7	89.0	1%
Operating expenses per financial advisor (average) ⁽²⁾	\$ 42,828	\$ 38,753	11%	\$ 83,596	\$ 80,002	4%

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

⁽²⁾ Operating expenses used in calculation represent total operating expenses less financial advisor compensation, variable compensation and fund sub-adviser fees.

PART I. FINANCIAL INFORMATION

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

The increase in operating expenses in the second quarter and first half of 2021 compared to the same periods in 2020 was primarily due to compensation and benefits expense (described below) increasing 30% to \$2,148 and 23% to \$4,187, respectively.

Financial advisor compensation and benefits expense increased 29% to \$1,237 and 21% to \$2,406 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020 due to an increase in revenues on which commissions are earned.

Variable compensation expands and contracts in relation to the Partnership's related profitability and margin earned. A significant portion of the Partnership's profits are allocated to variable compensation and paid to associates in the form of bonuses and profit sharing. Variable compensation increased 67% to \$485 and 52% to \$954 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020 due to increases in the Partnership's profitability, including an increase in the number of profitable branches and an overall increase in branch profitability.

The Partnership uses the ratios of both the number of home office associates and the number of branch office administrators ("BOAs") per 100 financial advisors, as well as operating expenses per financial advisor (excluding financial advisor compensation, variable compensation and fund sub-advisor fees), as key metrics in managing its costs. The average number of home office associates and BOAs per 100 financial advisors increased 2% and 3%, respectively, in the second quarter of 2021 compared to the same period in 2020. In the first half of 2021, the average number of home office associates and BOAs per 100 financial advisors stayed constant and increased 1%, respectively, compared to the first half of 2020. Operating expenses per financial advisor increased 11% and 4% in the second quarter and first half of 2021, respectively, compared to the same periods in 2020, due to the increase in operating expenses (excluding financial advisor compensation, variable compensation and fund sub-advisor fees), which were spread across a decreased average number of financial advisors in the second quarter of 2021 and a slightly increased average number of financial advisors in the first half of 2021.

The number of financial advisors decreased 306 to 18,855 at the end of the second quarter of 2021 compared to the end of the same period in the prior year. In response to the COVID-19 pandemic, the Partnership implemented measures to optimize firm resources and control costs, including a temporary pause on the recruitment of non-licensed financial advisors during 2020. The Partnership remains committed to financial advisor growth to continue to serve existing clients and future clients and create a positive impact in our communities by hiring both experienced financial advisors and non-licensed candidates in future periods. The Partnership has restarted hiring and is committed to an innovative and intentional strategy to grow its impact by offering a plan and resources for both current financial advisors and new hires that is intended to help promote branch team success. This approach may result in fewer financial advisors hired than in past periods.

Despite the increase in operating expenses, the Partnership continued to experience ongoing cost savings from limits on travel and in-person events due to COVID-19. The Partnership continues to assess the measures adopted in response to the COVID-19 pandemic. In the event the Partnership begins to experience adverse impacts in response to further economic or market events, the Partnership may consider resuming or adopting measures to reduce future operating expenses.

Segment Information

The Partnership has two operating and reportable segments based upon geographic location, the U.S. and Canada. Canada segment information, as reported in the following table, is based upon the consolidated financial statements of the Partnership's Canada operations. The U.S. segment information is derived from the Consolidated Financial Statements less the Canada segment information as presented. Pre-variable income represents income before variable compensation expense and before allocations to partners. This is consistent with how management views the segments to assess performance. COVID-19 is a global pandemic that has resulted in significant uncertainty; however, based on current information, the Partnership expects COVID-19 to impact the future financial results of the segments similarly. The following table shows financial information for the Partnership's reportable segments.

PART I. FINANCIAL INFORMATION

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

	Three Months Ended			Six Months Ended		
	June 25, 2021	June 26, 2020	% Change	June 25, 2021	June 26, 2020	% Change
Net revenue:						
U.S.	\$ 2,954	\$ 2,261	31%	\$ 5,733	\$ 4,684	22%
Canada	80	64	25%	154	132	17%
Total net revenue	3,034	2,325	30%	5,887	4,816	22%
Operating expenses (excluding variable compensation):						
U.S.	2,039	1,692	21%	3,977	3,479	14%
Canada	67	55	22%	133	118	13%
Total operating expenses	2,106	1,747	21%	4,110	3,597	14%
Pre-variable income:						
U.S.	915	569	61%	1,756	1,205	46%
Canada	13	9	44%	21	14	50%
Total pre-variable income	928	578	61%	1,777	1,219	46%
Variable compensation:						
U.S.	473	283	67%	933	614	52%
Canada	12	7	71%	21	14	50%
Total variable compensation	485	290	67%	954	628	52%
Income before allocations to partners:						
U.S.	442	286	55%	823	591	39%
Canada	1	2	-50%	—	—	—
Total income before allocations to partners	<u>\$ 443</u>	<u>\$ 288</u>	<u>54%</u>	<u>\$ 823</u>	<u>\$ 591</u>	<u>39%</u>
Client assets under care (\$ billions):						
U.S.						
At period end	\$ 1,677.2	\$ 1,278.9	31%	\$ 1,677.2	\$ 1,278.9	31%
Average	\$ 1,638.5	\$ 1,223.5	34%	\$ 1,589.5	\$ 1,257.0	26%
Canada						
At period end	\$ 36.7	\$ 26.6	38%	\$ 36.7	\$ 26.6	38%
Average	\$ 35.7	\$ 25.2	42%	\$ 34.2	\$ 26.2	31%
Net new assets for the period (\$ billions):						
U.S.	\$ 21.7	\$ 14.6	49%	\$ 41.0	\$ 32.6	26%
Canada	\$ 0.7	\$ 0.5	40%	\$ 1.5	\$ 1.1	36%
Financial advisors (actual):						
U.S.						
At period end	17,977	18,221	-1%	17,977	18,221	-1%
Average	18,030	18,202	-1%	18,118	18,084	—
Canada						
At period end	878	940	-7%	878	940	-7%
Average	883	919	-4%	890	903	-1%

PART I. FINANCIAL INFORMATION

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

U.S.

Net revenue increased 31% to \$2,954 and 22% to \$5,733 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020 primarily due to an increase in asset-based fee revenue. Asset-based fee revenue increased 39% to \$2,325 and 30% to \$4,482 in the second quarter and first half of 2021, respectively, led by an increase in revenue from advisory programs fees primarily due to higher average market levels in the second quarter and first half of 2021 compared to the same periods in 2020, as well as the cumulative impact of net asset inflows into advisory programs.

Operating expenses (excluding variable compensation) increased 21% to \$2,039 and 14% to \$3,977 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020 due to an increase in financial advisor compensation and benefits expense primarily due to an increase in revenues on which commissions are earned.

Canada

Net revenue increased 25% to \$80 and 17% to \$154 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020, primarily due to increases in asset-based fee revenue. Asset-based fee revenue increased 54% to \$60 and 37% to \$112 in the second quarter and first half of 2021, respectively, led by an increase in revenue from advisory programs fees primarily due to higher average market levels in the second quarter and first half of 2021 compared to the same periods in 2020, as well as the cumulative impact of net asset inflows into advisory programs.

Operating expenses (excluding variable compensation) increased 22% to \$67 and 13% to \$133 in the second quarter and first half of 2021, respectively, compared to the same periods in 2020 primarily due to an increase in financial advisor compensation and benefits expense. Financial advisor compensation and benefits expense increased primarily due to an increase in revenues on which commissions are earned.

LEGISLATIVE AND REGULATORY REFORM

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

MUTUAL FUNDS AND INSURANCE PRODUCTS

The Partnership earned approximately 31% of its total revenue from sales and services related to mutual fund and insurance products for each of the three- and six-month periods ended June 25, 2021 and June 26, 2020. In addition, the Partnership derived 11% and 12% of its total revenue for the three- and six-month periods ended June 25, 2021, respectively, and 13% and 14% of its total revenue for the three- and six-month periods ended June 26, 2020, respectively, from one mutual fund company. The revenue generated from this company relates to business conducted with the Partnership's U.S. segment.

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

LIQUIDITY AND CAPITAL RESOURCES

The Partnership requires liquidity to cover its operating expenses, net capital requirements, capital expenditures, distributions to partners and redemptions of Partnership interests, as well as to facilitate client transactions. The principal sources for meeting the Partnership's liquidity requirements include 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.

PART I. FINANCIAL INFORMATION

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

As of June 25, 2021, the Partnership had \$2,401 in cash, cash equivalents consisting of certificates of deposit and money market funds, and highly liquid investments consisting of securities purchased under agreements to resell. Additionally, the Partnership had \$3,307 in Partnership capital and no debt as of June 25, 2021. The Partnership has committed and uncommitted lines of credit in place should a liquidity need arise but has not drawn upon these lines. The Partnership believes that its financial position remains strong as it addresses the uncertainty of the ongoing impacts of COVID-19 on the global economy and, based on current information, does not anticipate any significant changes to its current liquidity or capital position.

Partnership Capital

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

The Partnership filed a Registration Statement on Form S-8 with the SEC on January 12, 2018, to register \$450 of Interests issuable pursuant to the 2018 Plan. In addition to issuances of Interests in prior periods, the Partnership issued approximately \$1 and \$5 of Interests under the 2018 Plan in 2020 and the first half of 2021, respectively. The remaining \$64 of Interests may be issued under the 2018 Plan at the discretion of the Managing Partner in the future. Proceeds from the offering under the 2018 Plan were and are expected to be used for working capital and general firm purposes and to ensure there is adequate general liquidity of the Partnership for future needs. The issuance of Interests reduces the Partnership's net interest income and profitability.

The Partnership's capital subject to mandatory redemption at June 25, 2021, net of reserve for anticipated withdrawals, was \$3,307, an increase of \$232 from December 31, 2020. This increase in Partnership capital subject to mandatory redemption was primarily due to the retention of a portion of general partner earnings (\$85) and additional capital contributions related to limited partner, subordinated limited partner and general partner interests (\$5, \$60 and \$220, respectively), partially offset by the net increase in Partnership loans outstanding (\$54) and redemption of limited partner, subordinated limited partner and general partner interests (\$10, \$16 and \$58, respectively). During the three- and six-month periods ended June 25, 2021 and June 26, 2020, 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 generally redeems the partner's capital within six months. The Partnership has restrictions in place which govern the withdrawal of capital. Under the terms of the Partnership Agreement, limited partners requesting withdrawal from the Partnership are to be repaid their capital in three equal annual installments beginning no earlier than 90 days after their withdrawal notice is received by the Managing Partner. The capital of general partners requesting withdrawal from the Partnership is converted to subordinated limited partnership capital or, at the discretion of the Managing Partner, redeemed by the Partnership. Subordinated limited partners requesting withdrawal are repaid their capital in six equal annual installments beginning no earlier than 90 days after their request for withdrawal of contributed capital is received by the Managing Partner. The Partnership's Managing Partner has discretion to waive or modify these withdrawal restrictions and to accelerate the return of capital.

The Partnership makes loans available to those general partners and, in limited circumstances, subordinated limited partners (in each case, other than members of the Executive Committee) who require financing for some or all of their Partnership capital contributions. In limited circumstances a general partner may withdraw from the Partnership and become a subordinated limited partner while he or she still has an outstanding Partnership loan. It is anticipated that, of the future general and subordinated limited partnership capital contributions (in each case, other than for Executive Committee members) requiring financing, the majority will be financed through Partnership loans. Loans made by the Partnership to such partners are generally for a period of one year but are expected to be renewed and bear interest at the greater of the Prime Rate for the last business day of the prior fiscal month or 3.25%. The Partnership recognizes interest income for the interest earned related to these loans. Partners borrowing from the Partnership will be required to repay such loans by applying the earnings received from the Partnership to such loans, net of amounts retained by the Partnership, amounts distributed for income taxes and 5% of earnings distributed to the partner. The Partnership has full recourse against any partner that defaults on loan obligations to the Partnership. The Partnership does not anticipate that partner loans will have an adverse impact on the Partnership's short-term liquidity or capital resources.

PART I. FINANCIAL INFORMATION

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

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

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

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

As of June 25, 2021				
	Limited Partnership Interests	Subordinated Limited Partnership Interests	General Partnership Interests	Total Partnership Interests
Total Partnership capital ⁽¹⁾	\$ 1,232	\$ 583	\$ 1,887	\$ 3,702
Partnership capital owned by partners with individual loans	\$ 167	\$ —	\$ 949	\$ 1,116
Partnership capital owned by partners with individual loans as a percent of total Partnership capital	14%	—	50%	30%
Individual loans:				
Individual bank loans	\$ 41	\$ —	\$ —	\$ 41
Individual Partnership loans	—	—	395	395
Total individual loans	\$ 41	\$ —	\$ 395	\$ 436
Individual loans as a percent of total Partnership capital	3%	—	21%	12%
Individual loans as a percent of respective Partnership capital owned by partners with loans	25%	—	42%	39%

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

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

PART I. FINANCIAL INFORMATION

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

Lines of Credit

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

	June 25, 2021	December 31, 2020
2018 Credit Facility	\$ 500	\$ 500
Uncommitted secured credit facilities	390	390
Total bank lines of credit	<u>\$ 890</u>	<u>\$ 890</u>

In accordance with the terms of the Partnership's \$500 committed revolving line of credit (the "2018 Credit Facility") entered into in September 2018, the Partnership is required to maintain a leverage ratio of no more than 35% and minimum Partnership capital, net of reserve for anticipated withdrawals and Partnership loans, of at least \$1,884. In addition, Edward Jones is required to maintain a minimum tangible net worth of at least \$1,344 and minimum regulatory net capital of at least 6% of aggregate debit items as calculated under the alternative method. The Partnership has the ability to draw on various types of loans. The associated interest rate depends on the type of loan, duration of the loan, whether the loan is secured or unsecured and the amount of leverage. Contractual rates are based on an index rate plus the applicable rate. The 2018 Credit Facility is intended to provide short-term liquidity to the Partnership should the need arise. As of June 25, 2021, the Partnership was in compliance with all covenants related to the 2018 Credit Facility.

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

There were no amounts outstanding on the 2018 Credit Facility or the uncommitted lines of credit as of June 25, 2021 or December 31, 2020. In addition, the Partnership did not have any draws against these lines of credit during the six-month period ended June 25, 2021, except for periodically testing draw procedures.

Cash Activity

As of June 25, 2021, the Partnership had \$1,316 in cash and cash equivalents and \$1,085 in securities purchased under agreements to resell, which generally have overnight maturities. This totaled to \$2,401 of Partnership liquidity as of June 25, 2021, a 15% decrease from \$2,839 at December 31, 2020. The Partnership had \$17,791 and \$17,918 in cash and investments segregated under federal regulations as of June 25, 2021 and December 31, 2020, respectively, which was not available for general use. The Partnership held \$315 and \$971 in government and agency obligations as of June 25, 2021 and December 31, 2020, respectively, primarily to help facilitate cash management and maintain firm liquidity. The decrease in the government and agency obligations balance was partly due to the timing of maturities and balances in segregated accounts and was partially reflected in higher firm cash as of June 25, 2021. The decrease in cash and investments segregated under federal regulations was primarily due to a decrease in cash held in clients' accounts, resulting in a corresponding decrease in payables to clients. Changes in cash were also due to timing of daily client cash activity in relation to the weekly segregation requirement.

The Partnership continues to evaluate its cash management strategy. Banks have experienced a significant increase in cash deposits due to the market and economic uncertainty from COVID-19, which may impact the Partnership's ability to continue to find financial institutions at which to place funds for principal protection while earning a reasonable rate of return on those funds.

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

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

	June 25, 2021	December 31, 2020	% Change
U.S.:			
Net capital	\$ 1,348	\$ 1,306	3%
Net capital in excess of the minimum required	\$ 1,285	\$ 1,248	3%
Net capital as a percentage of aggregate debit items	42.7%	45.0%	-5%
Net capital after anticipated capital withdrawals, as a percentage of aggregate debit items	21.6%	23.1%	-6%
Canada:			
Regulatory risk-adjusted capital	\$ 52	\$ 56	-7%
Regulatory risk-adjusted capital in excess of the minimum required to be held by IIROC	\$ 52	\$ 47	11%

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

THE EFFECTS OF INFLATION

The Partnership's net assets are primarily monetary, consisting of cash and cash equivalents, cash and investments segregated under federal regulations, firm-owned securities, and receivables, less liabilities. Monetary net assets are primarily liquid in nature and would not be significantly affected by inflation. Inflation and future expectations of inflation influence securities prices, as well as activity levels in the securities markets. As a result, profitability and capital may be impacted by inflation and inflationary expectations. Additionally, inflation's impact on the Partnership's operating expenses may affect profitability to the extent that additional costs are not 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 U.S. 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, including an economic downturn or volatility in the U.S. and/or global securities markets, and actions of the U.S. Federal Reserve and/or central banks outside of the United States; (2) regulatory actions; (3) changes in legislation or regulation; (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 and other technology-related risks; (9) a fluctuation or decline in the fair value of securities; (10) our ability to attract and retain qualified financial advisors and other employees; and (11) the risks discussed under Part I, Item 1A – Risk Factors in the Partnership's Annual Report. 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.

The COVID-19 pandemic and the global governmental response, vaccination, and related impact on society and the economy have resulted in significant uncertainty in the global economy and volatility in financial markets. Further economic and market events related to COVID-19 could negatively impact our future business operations and financial results.

The Partnership has several ongoing measures in response to COVID-19 to support the health and well-being of its clients, partners and associates, and may implement additional measures in response to further economic or market events, but cannot provide any assurance that such measures will be successful. Potential effects of the pandemic and the resulting low interest rate environment on certain of the Partnership's financial results have been disclosed in Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations. However, actual results with respect to such items may vary from expectations and the variation could be material. Accordingly, you should not rely on these descriptions because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the Partnership.

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

The Partnership is exposed to market risk from changes in interest rates. Such changes in interest rates impact the income from interest-earning assets, primarily receivables from clients on margin balances and short-term, primarily overnight, investments, which are primarily comprised of cash and cash equivalents, investments segregated under federal regulations, and securities purchased under agreements to resell, which averaged \$3.0 billion and \$21.3 billion for the six-month period ended June 25, 2021. These margin receivables and investments earned interest at an average annual rate of approximately 398 and 10 basis points (3.98% and 0.10%), respectively, during the first half of 2021. Changes in interest rates also have an impact on the expense related to the liabilities that finance these assets, such as amounts payable to clients.

The Partnership performed an analysis of its financial instruments and assessed the related interest rate risk and materiality in accordance with the SEC rules. Under current market conditions and based on current levels of interest-earning assets and the liabilities that finance these assets, the Partnership estimates that a 100-basis point (1.00%) increase in short-term interest rates could increase its annual net interest income by approximately \$118 million. This estimate reflects minimum contractual rates on certain balances. Conversely, the Partnership estimates that a reduction in short-term interest rates to zero could decrease the Partnership's annual net interest income by approximately \$15 million. A 100-basis point (1.00%) decrease in short-term interest rates was not utilized for this comparison because it would result in negative rates given that rates are already near zero.

For information related to the impacts of COVID-19 on interest rates and the Partnership's market risk, see Part I, Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q.

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 June 25, 2021.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Part I, Item 1, Note 7 supplements the discussion in Item 3 – Legal Proceedings in the Partnership's Annual Report.

ITEM 1A. RISK FACTORS

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

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

During the quarter ended June 25, 2021 and subsequent to period end, the Partnership issued subordinated limited partnership interests (the “SLP Interests”), which are described in the Partnership Agreement. The Partnership issued the SLP Interests pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, in a privately negotiated transaction and not pursuant to a public offering or solicitation. The SLP Interests were issued to general partners of the Partnership in June 2021 and July 2021 for an aggregate price of \$0.45 million and \$1.1 million, respectively.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	* Twentieth Amended and Restated Agreement of Registered Limited Liability Limited Partnership, dated August 6, 2018, incorporated by reference from Exhibit 3.1 to The Jones Financial Companies, L.L.L.P. Form 8-K dated August 6, 2018.
3.2	* Twenty-First Restated Certificate of Limited Partnership of the Jones Financial Companies, L.L.L.P., dated January 24, 2019, incorporated by reference from Exhibit 3.2 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
3.3	* First Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated February 21, 2019, incorporated by reference from Exhibit 3.3 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
3.4	* Second Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated March 25, 2019, incorporated by reference from Exhibit 3.4 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 29, 2019.
3.5	* Third Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated April 22, 2019, incorporated by reference from Exhibit 3.5 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 29, 2019.
3.6	* Fourth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated May 22, 2019, incorporated by reference from Exhibit 3.6 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 28, 2019.
3.7	* Fifth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated July 19, 2019, incorporated by reference from Exhibit 3.7 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 28, 2019.
3.8	* Sixth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated August 19, 2019, incorporated by reference from Exhibit 3.8 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended September 27, 2019.
3.9	* Seventh Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated September 17, 2019, incorporated by reference from Exhibit 3.8 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended September 27, 2019.
3.10	* Eighth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated November 19, 2019, incorporated by reference from Exhibit 3.10 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2019.
3.11	* Ninth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated December 18, 2019, incorporated by reference from Exhibit 3.11 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2019.
3.12	* Tenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated January 21, 2020, incorporated by reference from Exhibit 3.12 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2019.
3.13	* Eleventh Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated February 18, 2020, incorporated by reference from Exhibit 3.13 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

PART II. OTHER INFORMATION

Item 6. Exhibits, continued

<u>Exhibit Number</u>	<u>Description</u>
3.14	* Twelfth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated March 19, 2020, incorporated by reference from Exhibit 3.14 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 27, 2020.
3.15	* Thirteenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated May 18, 2020, incorporated by reference from Exhibit 3.15 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 26, 2020.
3.16	* Fourteenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated June 14, 2020, incorporated by reference from Exhibit 3.16 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 26, 2020.
3.17	* Fifteenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated July 29, 2020, incorporated by reference from Exhibit 3.17 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended June 26, 2020.
3.18	* Sixteenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated August 18, 2020, incorporated by reference from Exhibit 3.18 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended September 25, 2020.
3.19	* Seventeenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated September 22, 2020, incorporated by reference from Exhibit 3.19 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended September 25, 2020.
3.20	* Eighteenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated November 9, 2020, incorporated by reference from Exhibit 3.20 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2020.
3.21	* Nineteenth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated December 11, 2020, incorporated by reference from Exhibit 3.21 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2020.
3.22	* Twentieth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated January 21, 2021, incorporated by reference from Exhibit 3.22 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2020.
3.23	* Twenty-first Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated February 5, 2021, incorporated by reference from Exhibit 3.23 to The Jones Financial Companies, L.L.L.P. Annual Report on Form 10-K for the fiscal year ended December 31, 2020.
3.24	* Twenty-second Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated March 18, 2021, incorporated by reference from Exhibit 3.24 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 26, 2021.
3.25	* Twenty-third Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated April 13, 2021, incorporated by reference from Exhibit 3.25 to The Jones Financial Companies, L.L.L.P. Form 10-Q for the quarterly period ended March 26, 2021.
3.26	** Twenty-fourth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated May 27, 2021.
3.27	** Twenty-fifth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.L.P., dated June 15, 2021.

PART II. OTHER INFORMATION

Item 6. Exhibits, continued

<u>Exhibit Number</u>	<u>Description</u>
3.28	** Twenty-sixth Amendment of Twenty-First Restated Certificate of Limited Partnership of The Jones Financial Companies, L.L.P., dated July 19, 2021.
31.1	** Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	** Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	** Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	** Certification of Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	** 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.

SIGNATURES

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

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

By: /s/ Penny Pennington
Penny Pennington
Managing Partner (Principal Executive Officer)
August 6, 2021

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

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Penny Pennington</u> Penny Pennington	Managing Partner (Principal Executive Officer)	August 6, 2021
<u>/s/ Kevin D. Bastien</u> Kevin D. Bastien	Chief Financial Officer (Principal Financial and Accounting Officer)	August 6, 2021

**TWENTY-FOURTH AMENDMENT OF TWENTY-FIRST RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
THE JONES FINANCIAL COMPANIES, L.L.L.P.**

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

- (1) The name of the limited partnership is The Jones Financial Companies, L.L.L.P., and the limited partnership's charter number is LP0000443.
- (2) The partnership filed the Twenty-First Restated Certificate of Limited Partnership with the Missouri Secretary of State on January 25, 2019.
- (3) The Twenty-First Restated Certificate of Limited Partnership is hereby amended to reflect the general partner admissions and withdrawals attached hereto on Exhibit A effective as of the date listed on Exhibit A.

Upon the admissions and withdrawals of said partners, the number of general partners is 587.

In affirmation thereof, the facts stated above are true.

Dated: May 27, 2021

General Partner:

By /s/Penny Pennington

Penny Pennington

Managing Partner/Authorized Person/Attorney-in-Fact

EXHIBIT A

Withdrawn General Partners:			
Partner Name	Date Withdrawn as General Partner	Address 1 & 2	City, State & Zip
Anwar, Nasheed	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
Brockman, Jarid Kyle	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
Deschler, Jacqueline	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
The Lingley Family Trust	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
Admitted General Partners:			
Partner Name	Date Admitted as General Partner	Address 1 & 2	City, State & Zip
Jacqueline K Deschler Revocable Trust	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
Jarid K Brockman Trust	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
King, Elizabeth	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
The Nasheed Anwar and Zehra Anwar Revocable Living Trust	5/1/2021	12555 Manchester Road	St. Louis, MO 63131
Van Buren, Christopher A	5/1/2021	12555 Manchester Road	St. Louis, MO 63131

**TWENTY-FIFTH AMENDMENT OF TWENTY-FIRST RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
THE JONES FINANCIAL COMPANIES, L.L.L.P.**

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

- (1) The name of the limited partnership is The Jones Financial Companies, L.L.L.P., and the limited partnership's charter number is LP0000443.
- (2) The partnership filed the Twenty-First Restated Certificate of Limited Partnership with the Missouri Secretary of State on January 25, 2019.
- (3) The Twenty-First Restated Certificate of Limited Partnership is hereby amended to reflect the general partner withdrawal attached hereto on Exhibit A effective as of the date listed on Exhibit A.

Upon the withdrawal of said partner, the number of general partners is 586.

In affirmation thereof, the facts stated above are true.

Dated: June 15, 2021

General Partner:

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

EXHIBIT A

Withdrawn General Partners:			
Partner Name	Date Withdrawn as General Partner	Address 1 & 2	City, State & Zip
Luebbert, Bryan Joseph	6/1/2021	12555 Manchester Road	St. Louis, MO 63131
Admitted General Partners:			
Partner Name	Date Admitted as General Partner	Address 1 & 2	City, State & Zip

**TWENTY-SIXTH AMENDMENT OF TWENTY-FIRST RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
THE JONES FINANCIAL COMPANIES, L.L.L.P.**

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

- (1) The name of the limited partnership is The Jones Financial Companies, L.L.L.P., and the limited partnership's charter number is LP0000443.
- (2) The partnership filed the Twenty-First Restated Certificate of Limited Partnership with the Missouri Secretary of State on January 25, 2019.
- (3) The Twenty-First Restated Certificate of Limited Partnership is hereby amended to reflect the general partner admissions and withdrawals attached hereto on Exhibit A effective as of the date listed on Exhibit A.

Upon the admissions and withdrawals of said partners, the number of general partners is 583.

In affirmation thereof, the facts stated above are true.

Dated: July 19, 2021

General Partner:

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

EXHIBIT A

Withdrawn General Partners:			
Partner Name	Date Withdrawn as General Partner	Address 1 & 2	City, State & Zip
Brian D Ashworth Revocable Trust	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Bryan Eugene Hargiss Revocable Living Trust	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Gray, Gary Lynn	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Jones, Steven C	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Luthra, Ramit	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Michael E Sigmond Living Trust	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Mikula, Matthew James	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Trimble, Sheila Kristine	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Admitted General Partners:			
Partner Name	Date Admitted as General Partner	Address 1 & 2	City, State & Zip
Leclerc, Gabriel Yves	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Rehmann II, John James	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Steven and Angela Jones Revocable Trust	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
The Ramit Luthra and Richa Luthra Revocable Living Trust	7/1/2021	12555 Manchester Road	St. Louis, MO 63131
Wood, Kelli Renee	7/1/2021	12555 Manchester Road	St. Louis, MO 63131

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Penny Pennington, certify that:

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

/s/ Penny Pennington

Chief Executive Officer

The Jones Financial Companies, L.L.P.

August 6, 2021

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.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.P.

August 6, 2021

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

In connection with the quarterly report of The Jones Financial Companies, L.L.P. (the "Registrant") on Form 10-Q for the period ended June 25, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Penny Pennington, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Penny Pennington
Chief Executive Officer
The Jones Financial Companies, L.L.P.
August 6, 2021

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

In connection with the quarterly report of The Jones Financial Companies, L.L.P. (the "Registrant") on Form 10-Q for the period ended June 25, 2021 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.P.
August 6, 2021