

EDWARD D. JONES & CO., L.P.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2008

Assets	(Dollars in thousands)	Liabilities and Partnership Capital	
Cash and cash equivalents	\$211,233	Payable to:	
Cash segregated under federal and other regulations.....	2,221,032	Customers	\$4,660,077
Securities purchased under agreements to resell....	1,325,000	Brokers, dealers and clearing organizations	40,612
Receivable from:		Securities sold, not yet purchased, at fair value.....	12,135
Customers	1,966,985	Accrued compensation and employee benefits.....	323,643
Brokers, dealers and clearing organizations	332,349	Accounts payable and accrued expenses	147,996
Mutual funds, insurance companies and other	146,744	<u>5,184,463</u>	
Securities owned, at fair value:		Liabilities subordinated to claims of general creditors.....	261,100
Government and agency obligations.....	37,424	Partnership capital:	
Mutual funds.....	55,095	Partners' capital.....	1,168,783
State and municipal obligations	14,933	Partners' capital reserved for anticipated withdrawals	63,253
Corporate bonds and notes.....	10,382	Total Partnership Capital.....	<u>1,232,036</u>
Certificates of deposit.....	5,255		
Unit investment trusts.....	223		
Equities.....	19,624		
<u>142,936</u>			
Equipment, property and improvements, net	269,475	Total Liabilities and Partnership Capital	<u>\$6,677,599</u>
Other assets	61,845		
Total Assets.....	<u>\$6,677,599</u>		

The accompanying notes are an integral part of this Consolidated Statement of Financial Condition.

Notes to Consolidated Statement of Financial Condition (Dollars in thousands)

Summary of Accounting Policies

Basis of Accounting – The accompanying consolidated statement of financial condition includes the accounts of Edward D. Jones & Co., L.P. (“Edward Jones”) and all wholly owned subsidiaries (collectively, the “Partnership”). All material intercompany balances and transactions have been eliminated in consolidation. Non-controlling minority interests are accounted for under the equity method. The results of the Partnership’s subsidiary in Canada

are included in the Partnership’s consolidated statement of financial condition for the twelve months ended November 30, 2008, because of the timing of the Partnership’s financial reporting process. The Jones Financial Companies, L.L.P. (“JFC”) owns 100% of the capital in the Partnership. JFC is the sole limited partner of Edward Jones. JFC’s wholly owned subsidiary, EDJ Holding Company, Inc., is the sole general partner.

The Partnership is comprised of three registered broker-dealers primarily serving individual investors. The Partnership primarily derives its revenues from the retail brokerage business through the sale of listed and unlisted securities, insurance products, investment banking and principal transactions and as a distributor of mutual fund shares, and revenue related to assets held by and account services provided to its clients. The Partnership conducts business throughout the United States of America, Canada and the United Kingdom ("U.K.") with its customers, various brokers, dealers, clearing organizations, depositories and banks.

This Consolidated Statement of Financial Condition has been prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which require the use of certain estimates by management in determining the Partnership's assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

- **Transaction Risk** – The Partnership's securities activities involve execution, settlement and financing of various securities transactions for customers. The Partnership may be exposed to risk of loss in the event customers, other brokers and dealers, banks, depositories or clearing organizations are unable to fulfill contractual obligations. For transactions in which it extends credit to customers, the Partnership seeks to control the risks associated with these activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. Cash balances held at various major U.S. financial institutions, which typically exceed Federal Deposit Insurance Corporation insurance coverage limits, subject the Partnership to a concentration of credit risk. Additionally, the Partnership's foreign subsidiaries may also have cash deposits in excess of the applicable insured amounts. The Partnership regularly monitors the credit ratings of these financial institutions in order to mitigate the credit risk that exists with the deposits in excess of insured amounts.
- **Foreign Exchange** – Assets and liabilities denominated in foreign currencies are translated at the exchange rates at the end of the period.
- **Fair Value** – Substantially all of the Partnership's short-term financial assets and liabilities are carried at fair value or contracted amounts which approximate fair value.

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Financial assets are marked to bid prices and financial liabilities are marked to offer prices.

The Partnership adopted Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"), effective for the fiscal year beginning January 1, 2008. The adoption of SFAS 157 had no financial impact on the Partnership's consolidated statement of financial condition, results of operations, or cash flows. Beginning January 1, 2008, assets and liabilities recorded at fair value in the Consolidated Statement of Financial Condition are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by SFAS 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

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

The types of assets and liabilities categorized as Level I generally are government and agency securities, equities listed in active markets, unit investment trusts and investments in publicly traded mutual funds with quoted market prices.

Level II – Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with related market data at the measurement date and for the duration of the instrument's anticipated life.

The types of assets and liabilities categorized as Level II generally are municipal bonds, mortgage and asset backed securities and corporate debt.

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

The Partnership does not have any assets or liabilities categorized as Level III.

- **Cash and Cash Equivalents** – The Partnership considers all highly liquid investments with original maturities of three months or less to be cash equivalents.
- **Cash Segregated Under Federal and Other Regulations** – Cash of \$2,175,000 and \$1,620,129 was segregated in a special reserve bank account for the benefit of U.S. customers as of December 31, 2008 and 2007, respectively, under rule 15c3-3 of the Securities and Exchange Commission. Cash of \$46,032 and \$51,737 was segregated in a special reserve bank account for the benefit of U.K. customers as of December 31, 2008 and 2007, respectively, under rule CASS 7.4.1 of the Financial Services Authority.
- **Securities Purchased Under Agreements to Resell** – The Partnership participates in short-term resale agreements collateralized by U.S. government and agency securities. The fair value of the underlying collateral as determined daily, plus accrued interest thereon, must equal or exceed 102% of the carrying amount of the transaction. It is the Partnership’s policy to have such underlying resale agreement collateral delivered to the Partnership or deposited in its accounts at its custodian banks. Resale agreements are carried at the amount at which the securities will be subsequently resold, as specified in the agreements.
- **Securities Borrowing and Lending Activities** – Securities borrowed and securities loaned transactions are reported as collateralized financings. Securities borrowed transactions require the Partnership to deposit cash or other collateral with the lender. In securities loaned transactions, the Partnership receives collateral in the form of cash or other collateral. Collateral for both securities borrowed and securities loaned is based on 102% of the fair value of the underlying securities loaned. The Partnership monitors the fair value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and securities loaned are included in receivable from and payable to brokers, dealers and clearing organizations in the consolidated statements of financial condition.
- **Collateral** – The Partnership reports as assets collateral it has pledged in secured borrowings and other arrangements when the secured party cannot sell or repledge the assets or the Partnership can substitute collateral or otherwise redeem it on short notice. The Partnership does not report collateral it has received in secured lending and other arrangements as an asset when the debtor has the right to redeem or substitute the collateral on short notice.
- **Securities Owned and Sold, Not Yet Purchased** – Securities owned and sold, not yet purchased, including inventory securities and investment securities, are valued at fair value which is determined by using quoted market or dealer prices.
- **Equipment, Property and Improvements** – Equipment, including furniture and fixtures, is recorded at cost and depreciated using straight-line and accelerated methods over estimated useful lives of three to twelve years. Buildings are depreciated using the straight-line method over their useful lives, which are estimated at thirty years. Leasehold improvements are amortized based on the term of the lease or the economic useful life of the improvement, whichever is less. The Partnership’s construction in progress assets, which are included in the building and improvements category, will be reclassified into the appropriate asset category and begin depreciation at the time the assets are put into service. Equipment, property and improvements of \$1,100,319, net with accumulated depreciation of \$830,844, result in the net balance of \$269,475. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.
- **Lease Accounting** – The Partnerships enters into lease agreements for certain headquarters facilities as well as branch office locations. The associated lease expense is recognized on a straight-line basis over the minimum lease terms.
- **Income Taxes** – Income taxes have not been provided for in the consolidated statement of financial condition since Edward D. Jones & Co., L.P. is organized as a partnership and each partner is liable for its own tax payments. Any subsidiaries’ income tax provisions are insignificant.
- **New Accounting Standards** – In October 2008, the Financial Accounting Standards Board (“FASB”) issued FSP SFAS No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active” (FSP SFAS 157-3), which clarifies the application of SFAS No. 157, “Fair Value Measurements” (“SFAS 157”), in an inactive market and provides an example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective

upon issuance, including prior periods for which financial statements had not been issued. The adoption of this standard did not have any impact on the Partnership's results of operations, cash flows or financial positions for the year ended December 31, 2008.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation and presentation of financial statements in accordance with generally accepted accounting principles. This statement became effective in November 2008. Adoption of SFAS 162 did not have a material impact on the consolidated financial statements.

In February 2008, the FASB issued FSP SFAS No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP SFAS 157-2"). FSP SFAS 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are not remeasured at fair value on a recurring basis (at least annually) until January 2009. The implementation of FSP SFAS 157-2 did not have a material impact on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 requires noncontrolling interests to be treated as a separate component of equity and not as a liability or other item outside of equity. This statement is effective for financial statements issued for fiscal years beginning after December

15, 2008. Accordingly, the Partnership will adopt SFAS 160 in 2009 and does not anticipate the adoption will have a material impact on the consolidated financial statements.

Receivable from and Payable to Customers

Receivable from and payable to customers include margin balances and amounts due on cash transactions. The value of securities owned by customers and held as collateral for these receivables is not reflected in the consolidated statement of financial condition. Substantially all amounts payable to customers are subject to withdrawal upon customer request. The Partnership pays interest on certain credit balances in customer accounts.

Receivable from and Payable to Brokers, Dealers and Clearing Organizations

Receivable from brokers, dealers and clearing organizations of \$332,349 primarily includes balances and deposits with clearing organizations, the Partnership's Canadian carrying broker and the receivable from clearing organizations, as well as amounts related to securities failed to deliver and other receivables and deposits. Payable to brokers, dealers and clearing organizations of \$40,612 primarily includes securities failed to receive and the payable to clearing organizations.

Receivable from Mutual Funds, Insurance Companies and Other

Receivable from mutual funds, insurance companies and other is primarily composed of amounts due to the Partnership for asset based fees and fees for sub-transfer agent accounting services from mutual fund and insurance companies.

Bank Loans and Lines of Credit

The Partnership borrows from banks on a short-term basis primarily to finance customer margin balances and inventory securities. As of December 31, 2008, the Partnership had bank lines of credit aggregating \$1,165,000, of which \$1,065,000 were through uncommitted facilities. Actual borrowing availability is primarily based on the value of securities owned and customers' margin securities. There were no borrowings outstanding under these lines as of December 31, 2008. Subsequent to December 31, 2008, the Partnership has bank lines of credit aggregating \$955,000 of which \$855,000 are through uncommitted facilities. Interest is at a fluctuating rate based on short-term lending rates. During the year ended December 31, 2008, Edward Jones had borrowings outstanding for twenty-one days with an average daily outstanding balance over those twenty-one days of \$9,914 at an average interest rate of 2.0%.

Liabilities Subordinated to Claims of General Creditors

■ Capital notes, 7.33%, due in annual installments of \$50,000, commencing on June 12, 2010, with a final installment on June 12, 2014.....	\$ 250,000
■ Capital notes, 7.79%, due in annual installments of \$3,700 to \$12,700, commencing on August 15, 2005, with a final installment on August 15, 2011.....	11,100
	\$ 261,100

Required annual principal payments, as of December 31, 2008, are as follows:

Year Ended December	Principal Payment
2009.....	\$ 3,700
2010.....	53,700
2011.....	53,700
2012.....	50,000
2013.....	50,000
Thereafter.....	50,000
	\$ 261,100

The capital note agreements contain restrictions which, among other things, require maintenance of certain financial ratios, restrict encumbrance of assets and creation of indebtedness and limit the

withdrawal of partnership capital. As of December 31, 2008, Edward Jones was required, under the note agreements, to maintain minimum partnership capital of \$400,000 and Net Capital of \$136,906.

The subordinated liabilities are subject to cash subordination agreements approved by the Financial Industry Regulatory Authority ("FINRA") and, therefore, are included in Edward Jones' computation of Net Capital under the Securities and Exchange Commission's ("SEC") uniform Net Capital rule. The Partnership has estimated the fair value of the subordinated capital notes to be approximately \$238,000 as of December 31, 2008.

Net Capital Requirements

Edward Jones is subject to the Net Capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934 and the capital rules of the NYSE. Under the alternative method permitted by the rules, Edward Jones must maintain minimum Net Capital equal to the greater of \$250 or 2% of aggregate debit items arising from customer transactions. The Net Capital rule also provides that partnership capital may not be withdrawn if resulting Net Capital would be less than 5% of aggregate debit items. Additionally, certain withdrawals require the consent of the SEC to the extent they exceed defined levels, even though such withdrawals would not cause Net Capital to be less than 5% of aggregate debit items.

At December 31, 2008, Edward Jones' Net Capital of \$801,249 was 43.9% of aggregate debit items and its Net Capital in excess of the minimum required was \$764,741. Net Capital after anticipated withdrawals as a percentage of aggregate debits was also 43.9%. Net Capital and the related capital percentages fluctuate on a daily basis.

At December 31, 2008, the Partnership's foreign broker-dealer subsidiaries were in compliance with regulatory capital requirements in the jurisdictions in which they operate.

Employee Benefit Plans

The Partnership maintains profit sharing plans covering all eligible employees. Contributions to the plans are at the discretion of the Partnership. Additionally, participants may contribute on a voluntary basis.

Commitments

The Partnership leases a significant portion of its headquarters office space from a subsidiary of JFC under terms of non-cancelable triple net leases expiring through 2020. As of December 31, 2008,

fixed annual rentals under these leases were approximately \$18,000.

Additionally, the Partnership leases headquarters and branch-office space from non-affiliates. Branch offices are leased generally for terms of three to five years.

EDJ Leasing Co., L.P, (“LEA”), an affiliate of the Partnership, is constructing office buildings and related garages for the exclusive use of the Partnership. In 2008, the Partnership executed an agreement with LEA to reimburse LEA for the portion of certain tenant improvements and premium items related to the construction. As of December 31, 2008, the Partnership estimates its remaining commitments on the buildings to be approximately \$98,200.

The Partnership’s non-cancelable lease commitments greater than one year as of December 31, 2008, are summarized as follows:

<u>Year</u>	
2009.....	\$ 138,883
2010.....	42,266
2011.....	27,923
2012.....	20,218
2013.....	15,813
Thereafter.....	<u>91,376</u>
	<u>\$ 336,479</u>

Contingencies

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

In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, or actions which are in very preliminary stages, the Partnership cannot predict with certainty the eventual loss or range of loss related to such matters. The Partnership has determined that it is likely that ultimate resolution in favor of the plaintiffs will result in losses to the Partnership on some of these matters and as a result, has established appropriate accruals for potential litigation losses. Based on current knowledge

and after consultation with counsel, the Partnership believes that the outcome of these actions will not have a material adverse effect on the consolidated financial condition of the Partnership, although the outcome could be material to the Partnership’s future operating results for a particular period or periods.

Also, in the normal course of business, the Partnership enters into contracts which contain indemnification provisions, such as, purchase contracts, service agreements, escrow agreements, sales of assets, outsourcing agreements and leasing arrangements. Under the provisions of these contracts, the Partnership may indemnify counterparties to the contracts for certain aspects of the Partnership’s past conduct if other parties fail to perform, or if certain events occur. These indemnification provisions will vary based upon the contract. The Partnership may in turn obtain indemnifications from other parties in certain contracts. These indemnification provisions are not expected to have a material impact on the Partnership’s results of operations or financial condition.

Related Parties

Edward Jones owns a 49.5% limited partnership interest in the investment advisor to the Edward Jones Money Market Fund. The Partnership does not have management responsibility with regard to the advisor.

Availability of Financial Information

The current audited consolidated financial statements as of December 31, 2008, are available for inspection at the offices of the Partnership, at the Chicago regional offices of the Securities and Exchange Commission and at the offices of FINRA.

Report of Independent Auditors To Edward D. Jones & Co., L.P.

In our opinion, the accompanying consolidated statement of financial condition presents fairly, in all material respects, the consolidated financial position of Edward D. Jones & Co., L.P. and subsidiaries (the "Partnership") at December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. This consolidated statement of financial condition is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this consolidated statement of financial condition based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
St. Louis, Missouri
February 26, 2009