

RAYMOND JAMES FINANCIAL INC
Form 10-Q
February 09, 2010

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 December 31, 2009

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: 1-9109

RAYMOND JAMES FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

No. 59-1517485
(I.R.S. Employer
Identification No.)

880 Carillon Parkway, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)

(727) 567-1000
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and

post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

123,738,794 shares of Common Stock as of February 4, 2010

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter Ended December 31, 2009

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	December 31, 2009	September 30, 2009
(\$ in 000's)		
Assets		
Cash and Cash Equivalents	\$ 1,018,585	\$ 2,306,085
Assets Segregated Pursuant to Regulations and Other Segregated Assets	1,977,995	2,310,261
Securities Purchased under Agreements to Resell and Other Collateralized Financings	352,268	2,306,186
Financial Instruments, at Fair Value:		
Trading Instruments	362,942	431,445
Available for Sale Securities	488,997	509,073
Private Equity and Other Investments	296,056	291,389
Receivables:		
Brokerage Clients, Net	1,538,470	1,463,136
Stock Borrowed	635,670	416,964
Bank Loans, Net	6,452,530	6,593,973
Brokers-Dealers and Clearing Organizations	35,788	38,610
Other	436,283	540,035
Deposits with Clearing Organizations	79,668	83,799
Prepaid Expenses and Other Assets	322,998	260,427
Investments in Real Estate Partnerships - Held by Variable Interest Entities	276,335	270,139
Property and Equipment, Net	182,999	186,232
Deferred Income Taxes, Net	171,836	156,399
Goodwill	62,575	62,575
Total Assets	\$ 14,691,995	\$ 18,226,728
Liabilities And Equity		
Trading Instruments Sold but Not Yet Purchased, at Fair Value	\$ 91,493	\$ 93,376
Securities Sold Under Agreements to Repurchase	22,733	102,758
Payables:		
Brokerage Clients	3,143,549	3,789,870
Stock Loaned	1,009,278	490,240
Bank Deposits	7,007,069	9,423,387
Brokers-Dealers and Clearing Organizations	158,698	157,032
Trade and Other	229,067	177,769
Other Borrowings	51,027	980,000

Accrued Compensation, Commissions and Benefits	222,889	330,879
Loans Payable Related to Investments by Variable Interest Entities in Real Estate Partnerships	81,821	89,244
Corporate Debt	358,282	359,034
Total Liabilities	12,375,906	15,993,589
Commitments and Contingencies (See Note 12)		
Equity		
Preferred Stock; \$.10 Par Value; Authorized 10,000,000 Shares; Issued and Outstanding -0- Shares	-	-
Common Stock; \$.01 Par Value; Authorized 350,000,000 Shares; Issued 127,858,633 at December 31, 2009 and 127,039,672 at September 30, 2009	1,229	1,227
Shares Exchangeable into Common Stock; 249,013 at December 31, 2009 and 249,168 at September 30, 2009	3,196	3,198
Additional Paid-In Capital	435,788	416,662
Retained Earnings	1,766,808	1,737,591
Treasury Stock, at Cost, 4,123,419 Common Shares at December 31, 2009 and 3,975,136 Common Shares at September 30, 2009	(88,235)	(84,412)
Accumulated Other Comprehensive Income	(25,607)	(41,803)
Total Equity Attributable to Raymond James Financial, Inc.	2,093,179	2,032,463
Noncontrolling Interests	222,910	200,676
Total Equity	2,316,089	2,233,139
Total Liabilities and Equity	\$ 14,691,995	\$ 18,226,728

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Unaudited)
(in 000's, except per share amounts)

	Three Months Ended	
	December 31, 2009	December 31, 2008
Revenues:		
Securities Commissions and Fees	\$ 469,151	\$ 418,225
Investment Banking	25,718	20,733
Investment Advisory Fees	43,975	44,435
Interest	91,372	143,612
Net Trading Profits	11,637	9,175
Financial Service Fees	36,782	33,135
Other	24,034	26,518
Total Revenues	702,669	695,833
Interest Expense	15,702	31,891
Net Revenues	686,967	663,942
Non-Interest Expenses:		
Compensation, Commissions and Benefits	471,079	419,254
Communications and Information Processing	28,074	35,223
Occupancy and Equipment Costs	26,715	26,435
Clearance and Floor Brokerage	8,502	8,588
Business Development	19,881	24,724
Investment Advisory Fees	9,103	9,722
Bank Loan Loss Provision	22,835	24,870
Other	33,665	18,469
Total Non-Interest Expenses	619,854	567,285
Income Before Provision for Income Taxes and Noncontrolling Interests	67,113	96,657
Provision for Income Taxes	26,485	40,571
Net Income Before Noncontrolling Interests	40,628	56,086
Net Loss Attributable to Noncontrolling Interests	(2,275)	(5,007)
Net Income Attributable to Raymond James Financial, Inc.	\$ 42,903	\$ 61,093
Net Income per Common Share-Basic	\$ 0.35	\$ 0.50
Net Income per Common Share-Diluted	\$ 0.35	\$ 0.50
Weighted Average Common Shares Outstanding-Basic	118,763	116,307
Weighted Average Common and Common Equivalent Shares Outstanding-Diluted	118,983	116,559
Dividends Paid per Common Share	\$ 0.11	\$ 0.11

Net Income Attributable to Raymond James Financial, Inc.	\$ 42,903	\$ 61,093
Other Comprehensive Income, Net of Tax:		
Change in Unrealized Loss on Available for Sale Securities and Non-Credit Portion of Other-Than-Temporary Impairment Losses	13,223	(53,387)
Change in Currency Translations	2,973	(19,810)
Total Comprehensive Income (Loss)	\$ 59,099	\$ (12,104)
Other-Than-Temporary Impairment:		
Total Other-than-Temporary Impairment Losses	\$ (15,520)	\$ (571)
Portion of Losses recognized in Other Comprehensive Income (Before Taxes)	12,521	-
Net Impairment Losses Recognized in Other Revenue	\$ (2,999)	\$ (571)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in 000's)

(continued on next page)

	Three Months Ended	
	December	December
	31,	31,
	2009	2008
Cash Flows From Operating Activities:		
Net Income Before Noncontrolling Interests	\$ 40,628	\$ 56,086
Adjustments to Reconcile Net Income to Net		
Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	11,758	8,345
Deferred Income Taxes	(23,070)	(16,423)
Premium and Discount Amortization on Available for		
Sale Securities		
and Unrealized/Realized Gain on Other Investments	360	(1,192)
Other-than-Temporary Impairment on Available for	2,999	571
Sale Securities		
Impairment of and Loss on Sale of Property and	(22)	6,197
Equipment		
Gain on Sale of Loans Held for Sale and	(505)	(49)
Securitizations		
Provision for Loan Loss, Legal Proceedings, Bad	37,635	30,153
Debts and Other Accruals		
Stock-Based Compensation Expense	12,901	2,769
(Gain) Loss on Company-Owned Life Insurance	(3,864)	13,505
(Increase) Decrease in Operating Assets:		
Assets Segregated Pursuant to Regulations and Other	332,266	(342,333)
Segregated Assets		
Receivables:		
Brokerage Clients, Net	(75,029)	539,995
Stock Borrowed	(218,706)	117,544
Brokers-Dealers and Clearing Organizations	2,822	113,650
Other	101,904	(16,320)
Securities Purchased Under Agreements to Resell and		
Other Collateralized		
Financings, Net of Securities Sold Under Agreements	(126,107)	(68,953)
to Repurchase		
Trading Instruments, Net	29,808	13,243
Proceeds from Sale of Loans Held for Sale	13,039	3,540
Proceeds from Sale of SBA Loan Securitizations	93,913	-
Origination of Loans Held for Sale	(119,584)	(3,217)
Excess Tax Benefits from Stock-Based Payment	457	(3,754)
Arrangements		
Prepaid Expenses and Other Assets	(45,038)	97,614

Increase (Decrease) in Operating Liabilities:

Payables:

Brokerage Clients	(646,321)	144,496
Stock Loaned	519,038	(146,685)
Brokers-Dealers and Clearing Organizations	1,666	(198,043)
Trade and Other	(9,875)	(13,989)
Accrued Compensation, Commissions and Benefits	(107,096)	(115,086)
Income Taxes Payable	35,032	52,171

Net Cash (Used in) Provided by Operating Activities (138,991) 273,835

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in 000's)

(continued)

	Three Months Ended	
	December 31, 2009	December 31, 2008
Cash Flows from Investing Activities:		
Additions to Property and Equipment, Net	(5,827)	(15,138)
Decrease (Increase) in Loans, Net	177,759	(624,960)
Purchases of Private Equity and Other Investments, Net	(5,069)	(1,703)
Investments in Company-Owned Life Insurance	(8,819)	(8,836)
Investments in Real Estate Partnerships-Held by Variable Interest Entities	(6,196)	(24,761)
Repayments of Loans by Investor Members of Variable Interest Entities Related to Investments in Real Estate Partnerships	251	783
Decrease (Increase) in Securities Purchased Under Agreements to Resell, Net Available for Sale Securities Maturations and Repayments	2,000,000	(345,000)
	37,975	24,907
Net Cash Provided by (Used in) Investing Activities	2,190,074	(994,708)
Cash Flows from Financing Activities:		
Proceeds from Borrowed Funds, Net	1,027	-
Repayments of Borrowings, Net	(930,752)	(2,050,946)
Proceeds from Borrowed Funds Related to Company-Owned Life Insurance	-	38,120
Proceeds from Borrowed Funds Related to Investments by Variable Interest Entities in Real Estate Partnerships	1,090	1,260
Repayments of Borrowed Funds Related to Investments by Variable Interest Entities in Real Estate Partnerships	(8,513)	(9,130)
Proceeds from Capital Contributed to Variable Interest Entities Related to Investments in Real Estate Partnerships	25,917	10,685
Exercise of Stock Options and Employee Stock Purchases	5,309	4,135
(Decrease) Increase in Bank Deposits	(2,416,318)	18,525
Purchase of Treasury Stock	(3,321)	(4,462)
Dividends on Common Stock	(13,687)	(13,365)
Excess Tax Benefits from Stock-Based Payment Arrangements	(457)	3,754

Net Cash Used in Financing Activities	(3,339,705)	(2,001,424)
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Currency Adjustment:

Effect of Exchange Rate Changes on Cash	1,122	(4,214)
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Net Decrease in Cash and Cash Equivalents	(1,287,500)	(2,726,511)
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Cash and Cash Equivalents at Beginning of Year	2,306,085	3,207,493
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Cash and Cash Equivalents at End of Period	\$ 1,018,585	\$ 480,982
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Supplemental Disclosures of Cash Flow Information:

Cash Paid for Interest	\$ 6,472	\$ 33,601
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Cash Paid for Income Taxes	\$ 8,972	\$ 1,197
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Loans Charged-off, Net	\$ 23,943	\$ 6,885
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See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
December 31, 2009

NOTE 1 - BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements include the accounts of Raymond James Financial, Inc. ("RJF") and its consolidated subsidiaries that are generally controlled through a majority voting interest. RJF is a holding company headquartered in Florida whose subsidiaries are engaged in various financial service businesses; as used herein, the terms "our", "we" or "us" refer to RJF and/or one or more of its subsidiaries. In addition, we consolidate any variable interest entities ("VIEs") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 7 of these Notes to Condensed Consolidated Financial Statements. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") but not required for interim reporting purposes has been condensed or omitted. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented.

Subsequent events have been evaluated for either recognition in these interim financial statements, or for disclosure purposes herein as appropriate, through February 8, 2010, which is the date the unaudited condensed consolidated financial statements were issued.

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended September 30, 2009, as filed with the United States of America ("U.S.") Securities and Exchange Commission (the "2009 Form 10-K"). To prepare consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could have a material impact on the consolidated financial statements.

Reclassifications and Update of Significant Accounting Policies

Prior to October 1, 2009, we reported minority interest within mezzanine equity on our consolidated statements of financial condition and in minority interest in earnings of subsidiaries in our computation of net income. As a result of the implementation of new Financial Accounting Standards Board ("FASB") guidance, we now present noncontrolling interests within shareholders' equity, separately from our equity. We have reclassified certain amounts previously reported in prior financial statements to retrospectively reflect noncontrolling interest within shareholders' equity and to allocate net income (loss) between noncontrolling and our own interests.

We implemented new FASB guidance regarding the computation of earnings per share which impacted the prior period computations. See Note 17 of these Notes to Condensed Consolidated Financial Statements for discussion of the change in method and its impact on prior periods.

Certain other prior period amounts have been reclassified to conform to the current presentation.

A summary of our significant accounting policies is included in Note 1 on pages 77 – 88 of our 2009 Form 10-K. New FASB guidance related to the valuation of Private Equity Investments and the application of certain pronouncements applicable to nonfinancial assets and liabilities that are not measured at fair value on a recurring basis are discussed in Note 3 of these Notes to Condensed Consolidated Financial Statements. These two changes, together with the changes in minority interests and earnings per share discussed previously, are the only changes in significant accounting policies implemented since the year-end September 30, 2009.

NOTE 2 - CASH AND CASH EQUIVALENTS, ASSETS SEGREGATED PURSUANT TO REGULATIONS, AND DEPOSITS WITH CLEARING ORGANIZATIONS:

Our cash equivalents include money market funds or highly liquid investments not held for resale with original maturities of 90 days or less, other than those used for trading purposes. For further discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 1 on page 78 of our 2009 Form 10-K.

The following are financial instruments that are cash and cash equivalents or other investment balances which are readily convertible into cash as of December 31, 2009 and September 30, 2009:

	December 31, 2009	September 30, 2009
	(in 000's)	
Cash and Cash Equivalents:		
Cash in banks	\$ 1,002,460	\$ 1,085,202
U. S. Treasury securities(1)	236	1,206,914
Money market investments	15,889	13,969
Total cash and cash equivalents	1,018,585	2,306,085
Cash and securities segregated pursuant to federal regulations and other segregated assets (2)		
	1,977,995	2,310,261
Deposits with clearing organizations(3)	79,668	83,799
	\$ 3,076,248	\$ 4,700,145

- (1) Consists of U.S. Treasury Securities with maturities of 90 days or less. The balance at September 30, 2009 included \$1.2 billion in U.S. Treasury Securities purchased as part of the transactions associated with the point-in-time regulatory balance sheet composition requirements of RJ Bank. See Note 21 on page 127 of our 2009 Form 10-K for discussion of the September 30, 2009 point-in-time test.
- (2) Consists of cash and cash equivalents maintained in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934. Raymond James and Associates, Inc. ("RJ&A"), as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. Additionally, our Canadian broker-dealer subsidiary Raymond James Ltd. ("RJ Ltd") is required to hold client Registered Retirement Savings Plan funds in trust. Raymond James Bank, FSB ("RJ Bank") maintains interest-bearing bank deposits that are restricted for pre-funding letter of credit draws related to certain syndicated borrowing relationships in which it is involved. These RJ Bank deposits are occasionally pledged as collateral for Federal Home Loan Bank ("FHLB") advances.
- (3) Consists of deposits of cash and cash equivalents or other short-term securities held by other clearing organizations or exchanges.

NOTE 3 - FAIR VALUE:

For a further discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 1 pages 79 - 82 in our 2009 Form 10-K.

During the first quarter of fiscal year 2010, there were no material changes to our valuation models.

Effective October 1, 2009 we adopted new FASB accounting guidance regarding the method of determination of the fair value of certain of our investments within our Private Equity Investments. The application of the new accounting valuation guidance did not result in a significant change in the fair value determinations of our Private Equity Investments during the three months ended December 31, 2009.

Our Private Equity Investments include various direct and third-party private equity and merchant banking investments. Private Equity Investments include approximately 45 private equity funds and Raymond James Employee Investment Funds I and II (collectively, the "Private Funds"). See Note 7 of these Notes to Condensed Consolidated Financial Statements for further discussion of the consolidation of the employee investment funds I and II which are variable interest entities. These Private Funds invest primarily in new and developing companies. Our investments in these funds cannot be redeemed directly with the funds; our investment is monetized through distributions received through the liquidation of the underlying assets of these funds. We estimate that the underlying assets of these funds will be liquidated over the life of these funds (typically 10 to 15 years). Approval by the management of these funds is required for us to sell or transfer these investments. Merchant banking investments include ownership interests in private companies with long-term growth potential. See Note 12 of these Notes to Condensed Consolidated Financial Statements for information regarding our unfunded commitments to these funds.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and September 30, 2009 are presented below:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Netting Adjustments(1)	Balance as of December 31, 2009
	(Level 1)	(Level 2)	(Level 3)		
December 31, 2009 (in 000's)					
Assets:					
Trading Instruments:					
Provincial and Municipal Obligations	\$ 88	\$ 86,756	\$ 5,323	\$ -	\$ 92,167
Corporate Obligations	5,072	47,930	-	-	53,002
Government and Agency Obligations	26,589	15,704	-	-	42,293
Agency Mortgage Backed Securities ("MBS") and Collateralized Mortgage Obligations ("CMOs")	744	123,683	-	-	124,427
Non-Agency CMOs and ABS	-	1,017	9,176	-	10,193
Total Debt Securities	32,493	275,090	14,499	-	322,082
Derivative Contracts	-	87,423	-	(64,054)	23,369
Equity Securities	13,991	929	-	-	14,920
Other Securities	384	727	1,460	-	2,571
Total Trading Instruments	46,868	364,169	15,959	(64,054)	362,942
Available for Sale Securities:					
Agency MBS and CMOs	-	250,806	-	-	250,806
Non-Agency CMOs	-	230,531	2,621	-	233,152
Other Securities	9	5,030	-	-	5,039
Total Available for Sale Securities	9	486,367	2,621	-	488,997
Private Equity and Other Investments:					
Private Equity Investments	-	-	144,967(2)	-	144,967
Other Investments	145,241	5,625	223	-	151,089
Total Private Equity and Other Investments	145,241	5,625	145,190	-	296,056

Other Assets	-	248	-	-	248
Total	\$ 192,118	\$ 856,409	\$ 163,770	\$ (64,054)	\$ 1,148,243
Liabilities:					
Trading Instruments Sold but Not Yet Purchased:					
Provincial and Municipal Obligations					
	\$ 110	\$ 1,083	\$ -	\$ -	\$ 1,193
Corporate Obligations	-	16	-	-	16
Government Obligations	81,563	-	-	-	81,563
Agency MBS and CMOs	10	-	-	-	10
Total Debt Securities	81,683	1,099	-	-	82,782
Derivative Contracts	-	66,838	117	(63,932)	3,023
Equity Securities	5,674	9	-	-	5,683
Other Securities	-	5	-	-	5
Total Trading Instruments Sold but Not Yet Purchased					
	87,357	67,951	117	(63,932)	91,493
Other Liabilities					
	-	-	46	-	46
Total	\$ 87,357	\$ 67,951	\$ 163	\$ (63,932)	\$ 91,539

- (1) We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.
- (2) Includes \$75.2 million in private equity investments of which the weighted average portion we own is approximately 20%. The portion of this investment we do not own becomes a component of Noncontrolling Interests on our Condensed Consolidated Statements of Financial Condition, and amounted to \$60.4 million of that total as of December 31, 2009.

September 30, 2009 (in 000's)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments(1)	Balance as of September 30, 2009
Assets:					
Trading Instruments:					
Provincial and Municipal Obligations					
	\$ 21	\$ 129,897	\$ 5,316	\$ -	\$ 135,234
Corporate Obligations	4,369	16,317	-	-	20,686
Government and Agency Obligations					
Agency MBS and CMOs	39,365	7,660	-	-	47,025
Agency MBS and CMOs	10	95,336	-	-	95,346
Non-Agency CMOs and ABS					
Total Debt Securities	-	37,852	10,915	-	48,767
Total Debt Securities	43,765	287,062	16,231	-	347,058
Derivative Contracts	-	104,956	222	(74,255)	30,923
Equity Securities	49,006	1,337	-	-	50,343
Other Securities	37	2,165	919	-	3,121
Total Trading Instruments	92,808	395,520	17,372	(74,255)	431,445
Available for Sale Securities:					
Agency MBS and CMOs	-	272,892	-	-	272,892
Non-Agency CMOs	-	228,567	2,596	-	231,163
Other Securities	8	5,010	-	-	5,018
Total Available for Sale Securities	8	506,469	2,596	-	509,073
Private Equity and Other Investments:					
Private Equity Investments	-	-	142,671(2)	-	142,671
Other Investments	143,545	4,946	227	-	148,718
Total Private Equity and Other Investments	143,545	4,946	142,898	-	291,389
Other Assets	-	322	-	-	322
Total	\$ 236,361	\$ 907,257	\$ 162,866	\$ (74,255)	\$ 1,232,229

Liabilities:

Trading Instruments Sold but Not Yet Purchased:									
Provincial and Municipal Obligations	\$	-	\$ 241	\$	-	\$	-	\$	241
Corporate Obligations		-	478		-		-		478
Government Obligations		55,327	-		-		-		55,327
Agency MBS and CMOs		302	360		-		-		662
Total Debt Securities		55,629	1,079		-		-		56,708
Derivative Contracts		-	85,375		-		(81,518)		3,857
Equity Securities		29,367	3,353		-		-		32,720
Other Securities		-	91		-		-		91
Total Trading Instruments Sold but Not Yet Purchased		84,996	89,898		-		(81,518)		93,376
Other Liabilities		-	6		59		-		65
Total	\$	84,996	\$ 89,904	\$	59	\$	(81,518)	\$	93,441

- (1) We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.
- (2) Includes \$76.1 million in private equity investments of which the weighted average portion we own is approximately 19% as of September 30, 2009. The portion of this investment we do not own becomes a component of Noncontrolling Interests on our Condensed Consolidated Statements of Financial Condition, and amounted to \$61.3 million of that total as of September 30, 2009.

Changes in Level 3 recurring fair value measurements

The realized and unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended December 31, 2009 and 2008:

Three Months Ended December 31, 2009 (in 000's)	Level 3 Financial Assets at Fair Value					Fair Value, December 31, 2009	Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at December 31, 2009
	Fair Value, September 30, 2009	Total Realized Gains/(Losses) /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers In and/ Out of Level 3		
Assets:							
Trading Instruments:							
Provincial and Municipal Obligations	\$ 5,316	\$ 7	\$ -	\$ -	\$ -	\$ 5,323	\$ 7
Non-Agency CMOs and ABS	10,915	(340)	-	(1,399)	-	9,176	(426)
Derivative Contracts	222	(222)	-	-	-	-	-
Other Securities	919	524	-	17	-	1,460	523
Available for Sale Securities:							
Non-Agency CMOs	2,596	(552)	711	(134)	-	2,621	(552)
Private Equity and Other Investments:							
Private Equity Investments	142,671	(302)	-	2,598	-	144,967	(302)

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Other Investments	227	(4)	-	-	-	223	(4)
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Liabilities:

Derivative Contracts	\$ -	\$ (117)	\$ -	\$ -	\$ -	\$ (117)	\$ (205)
Other Liabilities	(59)	13	-	-	-	(46)	(7)

	Level 3 Financial Assets at Fair Value						Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at
	Fair Value, September 30, 2008	Total Realized Gains/(Losses) /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Comprehensive Income	Purchases, Issuances, and Settlements, Net Level 3	Transfers In and/ Out of Level 3	Fair Value, December 31, 2008	December 31, 2008
Assets:							
Trading Instruments:							
Provincial and Municipal Obligations	\$ 7,107	\$ (350)	\$ -	\$ 1,271	\$ -	\$ 8,028	\$ (350)
Non-Agency CMOs and ABS	20,220	(1,029)	-	384	-	19,575	(1,033)
Available for Sale Securities:							
Non-Agency CMOs	8,710	(571)	(648)	(57)	-	7,434	(571)
Private Equity and Other Investments:							
Private Equity Investments	153,282	(330)	-	4,224	-	157,176	(247)
Other Investments	844	33	-	(163)	-	714	(130)

Liabilities:

Other

Liabilities	\$	(178)	\$	(89)	\$	-	\$	-	\$	-	\$	(267)	\$	(89)
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As of December 31, 2009, 7.8% of our assets and 0.7% of our liabilities are instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of December 31, 2009 represent 14.3% of our assets measured at fair value. As of December 31, 2008, 5.4% and 0.5% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of December 31, 2008 represented 19.6% of our assets measured at fair value.

Gains and losses (realized and unrealized) included in net income for the three months ended December 31, 2009 and 2008 are reported in net trading profits and other revenues in our Condensed Consolidated Statements of Income as follows:

For the Three Months Ended December 31, 2009 (in 000's)	Net Trading	Other
	Profits	Revenues

Total gains or (losses) included in earnings	\$ 187	\$ (1,180)
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Change in unrealized gains or (losses) relating to assets still held at reporting date	\$ 100	\$ (1,066)
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For the Three Months Ended December 31, 2008 (in 000's)	Net Trading	Other
	Profits	Revenues

Total losses included in earnings	\$ (1,379)	\$ (957)
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Change in unrealized losses relating to assets still held at reporting date	\$ (1,383)	\$ (1,037)
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Nonrecurring Fair Value Measurements

Certain assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value measurement only in certain circumstances, for example, when there is evidence of impairment or in other situations where the lower of cost or fair value method of accounting is applied. Our financial instruments which are measured at fair value on a nonrecurring basis include certain RJ Bank loans that have been deemed impaired and certain loans classified as held for sale.

Effective October 1, 2009, we adopted new accounting guidance regarding the application of certain fair value accounting pronouncements applicable to nonfinancial assets (such as Other Real Estate Owned) and nonfinancial liabilities that are not measured at fair value on a recurring basis. Accordingly, the table below provides information, by level within the fair value hierarchy, for both financial and nonfinancial assets measured at fair value on a nonrecurring basis during the period and held at December 31, 2009.

	Fair Value Measurements			Balance as of December 31, 2009
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2009 (in 000's)				
Assets at fair value on a nonrecurring basis:				
Bank Loans, Net(1)	\$ -	\$ 49,815	\$ 51,348	\$ 101,163

Other Real Estate Owned (2)	-	2,590	-	2,590
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- (1) Includes individual loans classified as held for sale, which were measured at a fair value lower than cost at December 31, 2009.
- (2) Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial classification as other real estate owned. The recorded value in the Condensed Consolidated Statements of Financial Condition is net of the estimated selling costs.

The following table presents financial instruments by level within the fair value hierarchy at September 30, 2009, for which a nonrecurring charge in fair value was recorded.

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2009
September 30, 2009 (in 000's)				
Assets at fair value on a nonrecurring basis:				
Bank Loans, Net	\$ -	\$ -	\$ 69,193	\$ 69,193

The adjustment to fair value of the nonrecurring fair value measures for the three months ended December 31, 2009 resulted in \$8.7 million in additional loan loss provision expense and charge-offs as well as \$309,000 in other losses during the quarter.

For a discussion of our accounting policies for impairment of loans held for investment, loans held for sale, and other real estate owned, see Note 1 on pages 83 - 85 of our 2009 Form 10-K.

Fair Value Option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of December 31, 2009, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

OTHER FAIR VALUE DISCLOSURES

Many, but not all of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 3 pages 92 - 93 of our 2009 Form 10-K for discussion of the methods and assumptions we apply to the determination of fair value of our financial instruments that are not otherwise recorded at fair value.

The carrying amounts and estimated fair values of our financial instruments that are not carried at fair value at December 31, 2009 and September 30, 2009, respectively, are as follows:

	December 31, 2009		September 30, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(in 000's)				
Financial Assets:				
	\$	\$	\$	\$
Bank Loans, Net(1)	6,452,530	6,480,904	6,593,973	6,597,496
Financial Liabilities:				
Bank Deposits	7,007,069	7,012,034	9,423,387	9,428,892
Other Borrowings	51,027	53,284	980,000	982,741
Corporate Debt	358,282	388,546	359,034	398,108

(1) Carrying amount and estimated fair value at December 31, 2009 excludes all loans recorded at fair value at the respective period-end.

NOTE 4 – TRADING INSTRUMENTS AND TRADING INSTRUMENTS SOLD BUT NOT YET PURCHASED:

	December 31, 2009		September 30, 2009	
	Trading Instruments	Instruments Sold but Not Yet Purchased	Trading Instruments	Instruments Sold but Not Yet Purchased
(in 000's)				
Provincial and Municipal Obligations	\$ 92,167	\$ 1,193	\$ 135,234	\$ 241
Corporate Obligations	53,002	16	20,686	478
	42,293	81,563	47,025	55,327

Government and Agency
Obligations

Agency MBS and CMOs	124,427	10	95,346	662
Non-Agency CMOs and ABS	10,193	-	48,767	-
Total Debt Securities	322,082	82,782	347,058	56,708
Derivative Contracts	23,369	3,023	30,923	3,857
Equity Securities	14,920	5,683	50,343	32,721
Other Securities	2,571	5	3,121	90
Total	\$ 362,942	\$ 91,493	\$ 431,445	\$ 93,376

Auction rate securities totaling \$6 million and \$5.8 million at December 31, 2009 and September 30, 2009, respectively, are predominately included within Provincial and Municipal Obligations presented in the table above. There were no auction rate securities in Trading Instruments Sold but Not Yet Purchased as of either December 31, 2009 or September 30, 2009.

See Note 3 of these Notes to Condensed Consolidated Financial Statements for additional information regarding the fair value of Trading Instruments and Trading Instruments Sold but Not Yet Purchased.

NOTE 5 - AVAILABLE FOR SALE SECURITIES:

Available for sale securities are comprised primarily of CMOs and other mortgage-related debt securities owned by RJ Bank, and certain equity securities owned by our non-broker-dealer subsidiaries. There were no proceeds from the sale of available for sale securities for either of the three month periods ended December 31, 2009 or 2008.

The amortized cost and fair values of securities available for sale at December 31, 2009 and September 30, 2009 are as follows:

	December 31, 2009			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in 000's)				
Available for Sale Securities:				
Agency Mortgage Backed Securities and CMOs	\$ 252,229	\$ 298	\$ (1,721)	\$ 250,806
Non-Agency CMOs(1)	308,656	15	(75,519)	233,152
Other Securities	5,000	30	-	5,030
Total RJ Bank Available for Sale Securities	565,885	343	(77,240)	488,988
Other Securities	3	6	-	9
Total Available for Sale Securities	\$ 565,888	\$ 349	\$ (77,240)	\$ 488,997

(1) As of December 31, 2009, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in Accumulated Other Comprehensive Income (“AOCI”) was \$33 million (before taxes).

	September 30, 2009			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in 000's)				
Available for Sale Securities:				
Agency Mortgage-Backed Securities and CMOs	\$ 275,995	\$ 213	\$ (3,316)	\$ 272,892
Non-Agency CMOs (1)	325,823	-	(94,660)	231,163
Other Securities	5,000	10	-	5,010
Total RJ Bank Available for Sale Securities	606,818	223	(97,976)	509,065
Other Securities	3	5	-	8

	\$		\$
Total Available for Sale Securities	606,821	\$ 228	\$ (97,976) 509,073

(1) As of September 30, 2009, the non-credit portion of OTTI recorded in AOCI was \$20.5 million (before taxes).

See Note 3 of these Notes to Condensed Consolidated Financial Statements for additional information regarding the fair value of Available for Sale Securities.

Since RJ Bank's available for sale securities are backed by mortgages, actual maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties. The contractual maturities, carrying values, and current yields for RJ Bank's available for sale securities at December 31, 2009 are as follows:

	After One But		After Five But		After Ten Years		Total	
	Within One Year	Within Five Years	Within Ten Years	After Ten Years	Total			
	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted
	Balance Average	Balance Average	Balance Average	Balance Average	Balance Average	Balance Average	Balance Average	Balance Average
	Due Yield	Due Yield	Due Yield	Due Yield	Due Yield	Due Yield	Due Yield	Due Yield
(\$ in 000's)								
Agency Mortgage Backed Securities	\$ -	\$ 6,397	100,380	0.93%	144,029	0.99%	250,806	0.96%
Non-Agency CMOs	-	-	-	-	233,152	7.63%	233,152	7.63%
Other Securities	-	5,030	-	0.35%	-	-	5,030	0.35%
	\$ -	\$ 11,427	100,380		377,181		488,988	

Impaired Securities

For a further discussion of our Available for Sale Securities' accounting policies, including the fair value determination processes, see Note 1 pages 80 - 81 in our 2009 Form 10-K.

RJ Bank's investments' gross unrealized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2009 and September 30, 2009 are as follows:

	December 31, 2009					
	Less than 12 Months		12 Months or More		Total	
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in 000's)						
Agency Mortgage Backed Securities and CMOs	\$ 65,037	\$ (296)	148,298	\$ (1,425)	213,335	\$ (1,721)
Non-Agency CMOs	-	-	233,124	(75,519)	233,124	(75,519)
Total Impaired Securities	\$ 65,037	\$ (296)	381,422	\$ (76,944)	446,459	\$ (77,240)

September 30, 2009							
	Less than 12 Months		12 Months or More		Total		
	Estimated		Estimated		Estimated		
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	
	Value	Losses	Value	Losses	Value	Losses	
(in 000's)							
Agency Mortgage-Backed Securities and CMOs	\$ 85,500	\$ (873)	167,952	\$ (2,443)	253,452	\$ (3,316)	
Non-Agency CMOs	-	-	231,163	(94,660)	231,163	(94,660)	
Total Impaired Securities	\$ 85,500	\$ (873)	399,115	\$ (97,103)	484,615	\$ (97,976)	

The reference point for determining when securities are in a loss position is quarter end. As such, it is possible that a security had a fair value that exceeded its amortized cost on other days during the period.

Agency MBS and CMOs

The Federal National Mortgage Association (“FNMA”) or Federal Home Loan Mortgage Corporation (“FHLMC”), both of which were placed under the conservatorship of the U.S. Government on September 7, 2008, as well as the Government National Mortgage Association (“GNMA”), guarantee the contractual cash flows of the agency mortgage-backed securities. At December 31, 2009, of the 92 U.S. government-sponsored enterprise mortgage-backed securities in a continuous unrealized loss position, 15 were in a continuous unrealized loss position for less than 12 months and 77 for 12 months or more. The unrealized losses at December 31, 2009 were primarily due to the continued illiquidity and uncertainty in the markets. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

Non-Agency CMOs

As of December 31, 2009 and including subsequent ratings changes, \$18.5 million of the non-agency CMOs were rated AAA by two rating agencies, and \$214.7 million were rated less than AAA by at least one rating agency. At December 31, 2009, of the 28 non-agency CMOs, 27 were in a continuous unrealized loss position for 12 months or more. All of the non-agency securities carry various amounts of credit enhancement, and none are collateralized with subprime loans. These securities were purchased based on the underlying loan characteristics such as loan to value (“LTV”) ratio, credit scores, property type, location, and level of credit enhancement. Current characteristics of each security owned, such as delinquency and foreclosure levels, credit enhancement, projected losses, and coverage are reviewed monthly by management. Only those non-agency CMOs whose entire amortized cost basis we do not expect to recover are considered to be other-than-temporarily impaired as we have the ability and intent to hold these securities to maturity.

Other-Than-Temporarily Impaired Securities

Based on the expected cash flows derived from our valuation model, we expect to recover the remaining unrealized losses on non-agency CMOs. However, it is possible that the underlying loan collateral of these securities will perform worse than current expectations, which may lead to adverse changes in the cash flows expected to be collected on these securities and potential future OTTI securities losses. Significant assumptions used in the valuation of non-agency CMOs include default rates, loss severity, and prepayment rates.

The significant assumptions used in the valuation of non-agency CMOs for the period ended December 31, 2009 are as follows:

	December 31, 2009	
	Range	Weighted Average (1)
Default Rate	1.6% - 36.3%	12.5%
Loss Severity	10.0% - 54.7%	31.8%
Prepayment Rate	7.9% - 27.6%	16.6%

(1) Represents the expected activity for the next twelve months.

Although there is no intent to sell our non-agency CMOs and it is not more likely than not that we will be required to sell these securities, we do not expect to recover the entire amortized cost basis of certain securities within this portfolio, and therefore, we recorded \$3 million of OTTI in other revenue and recorded \$12.5 million in AOCI for the three months ended December 31, 2009. We recognized \$571,000 of OTTI in other revenue for the three months ended December 31, 2008 for certain securities which were identified as other-than-temporarily impaired during the first quarter of fiscal 2009.

Changes in the amount related to credit losses recognized in earnings on available for sale securities are as follows:

	Three Months Ended	
	December 31, 2009	December 31, 2008
(in 000's)		
Amount related to credit losses on securities we held at the beginning of the period	\$ 17,762	\$ 4,869
Additions to the amount related to credit loss for which an OTTI was not previously recognized	1,556	-
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	1,443	571
Decreases to the amount related to credit losses for worthless securities	(3,331)	-
Amount related to credit losses on securities held by us at the end of the period	\$ 17,430	\$ 5,440

NOTE 6 – BANK LOANS, NET:

Bank client receivables are primarily comprised of loans originated or purchased by RJ Bank and include commercial and residential real estate loans, as well as commercial and consumer loans. These receivables are collateralized by first or second mortgages on residential or other real property, by other assets of the borrower, or are unsecured.

For a discussion of our accounting policies regarding bank loans, including the policies regarding the allowance for loan losses, nonaccrual and impaired loans, charge-offs and other real estate owned, see Note 1 pages 83 - 85 in our 2009 Form 10-K.

The following table presents the balance and associated percentage of each major loan category in RJ Bank's portfolio, including loans receivable and loans held for sale as of December 31, 2009 and September 30, 2009:

	December 31, 2009		September 30, 2009	
	Balance	%	Balance	%
(\$ in 000's)				
Commercial Loans	\$ 857,792	13%	\$ 851,657	13%
Real Estate Construction Loans	101,005	2%	163,951	3%
Commercial Real Estate Loans (1)	3,385,056	51%	3,343,989	49%

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Residential Mortgage Loans	2,272,861	34%	2,398,822	35%
Consumer Loans	18,251	-	22,816	-
Total Loans	6,634,965	100%	6,781,235	100%
Net Unearned Income and Deferred Expenses (2)	(33,271)		(36,990)	
Allowance for Loan Losses	(149,164)		(150,272)	
	(182,435)		(187,262)	
Loans, Net	\$ 6,452,530		\$ 6,593,973	

(1) Of this amount, \$1.2 billion is secured by non-owner occupied commercial real estate properties or their repayment is dependent upon the operation or sale of commercial real estate properties as of December 31, 2009 and September 30, 2009. The remainder is wholly or partially secured by real estate, the majority of which is also secured by other assets of the borrower.

(2) Includes purchase premiums, purchase discounts, and net deferred origination fees and costs.

At December 31, 2009 and September 30, 2009, RJ Bank had \$50 million and \$950 million, respectively, in FHLB advances outstanding which were secured by a blanket lien on RJ Bank's residential mortgage loan portfolio. See Note 9 of these Notes to Condensed Consolidated Financial Statements for more information regarding the FHLB advances.

At December 31, 2009 and September 30, 2009, RJ Bank had \$100.4 million and \$40.5 million in loans held for sale, respectively. RJ Bank's gain from the sale of these loans held for sale was \$112,000 and \$49,000, which was recorded in Other Revenues on our Condensed Consolidated Statements of Income for the three months ended December 31, 2009 and 2008, respectively.

The following table shows the contractual maturities of RJ Bank's loan portfolio at December 31, 2009, including contractual principal repayments. This table does not, however, include any estimates of prepayments. These prepayments could significantly shorten the average loan lives and cause the actual timing of the loan repayments to differ from those shown in the following table:

	Due in			Total
	1 Year or Less	1 Year – 5 Years	> 5 Years	
	(in 000's)			
Commercial Loans	\$ 42,533	\$ 681,023	\$ 134,236	\$ 857,792
Real Estate Construction Loans	7,062	93,943	-	101,005
Commercial Real Estate Loans (1)	532,289	2,683,812	168,955	3,385,056
Residential Mortgage Loans	1,005	11,244	2,260,612	2,272,861
Consumer Loans	339	422	17,490	18,251
Total Loans	\$ 583,228	\$ 3,470,444	\$ 2,581,293	\$ 6,634,965

(1) Of this amount, \$1.2 billion is secured by non-owner occupied commercial real estate properties or their repayment is dependent upon the operation or sale of commercial real estate properties as of December 31, 2009. The remainder is wholly or partially secured by real estate, the majority of which is also secured by other assets of the borrower.

The following table shows the comparative data for nonperforming loans and assets:

	December 31, 2009	September 30, 2009
	(\$ in 000's)	
Nonaccrual Loans:		
Corporate	\$ 53,094	\$ 73,961
Residential/Consumer(1)	65,911	55,097
Total	119,005	129,058
Accruing Loans Which are 90 Days Past Due:		
Corporate	-	12,461
Residential/Consumer	16,372	16,863
Total	16,372	29,324
Total Nonperforming Loans	135,377	158,382

Real Estate Owned and Other (2)		
Reposessed Assets, Net:		
Corporate	804	4,646
Residential/Consumer	7,568	4,045
Total	8,372	8,691
Total Nonperforming Assets, Net	\$ 143,749	\$ 167,073
Total Nonperforming Assets as a % of		
Total Loans, Net and Other Real Estate		
Owned, Net	2.22%	2.53%

- (1) Of the total residential/consumer nonaccrual loans, there are residential mortgage loans totaling \$54 million and \$43.8 million as of December 31, 2009 and September 30, 2009, respectively, for which a charge-off had previously been recorded.
- (2) RJ Bank has two properties totaling \$484,000 out of the 30 total properties it owns, which are still subject to redemption; however, no properties have ever been redeemed from RJ Bank.

As of December 31, 2009, RJ Bank did not have any commitments to lend to borrowers whose loans were classified as nonperforming.

The gross interest income related to the nonperforming loans reflected in the above table, which would have been recorded had these loans been current in accordance with their original terms, totaled \$3.5 million for the three months ended December 31, 2009 or \$11.6 million since origination. The interest income recognized on nonaccrual loans for the three months ended December 31, 2009 was \$107,000.

The following table provides a summary of RJ Bank's impaired loans, troubled debt restructurings included in these impaired loans, and commitments to lend additional funds as of December 31, 2009 and September 30, 2009:

	December 31, 2009		September 30, 2009	
	Gross Recorded Investment Losses (1)	Allowance For Loan Investment Losses (1)	Gross Recorded Investment Losses (1)	Allowance For Loan Investment Losses (1)
(in 000's)				
Impaired Loans with Allowance for Loan Losses:				
Corporate	\$ 26,884	\$ 4,784	\$ 68,549	\$ 7,383
Residential/Consumer	3,320	1,178	2,879	1,507
Total	30,204	5,962	71,428	8,890
Impaired Loans without Allowance for Loan Losses:				
(2)				
Corporate	\$ 26,210	\$ -	\$ 5,411	\$ -
Residential/Consumer	896	-	1,244	-
Total	27,106	-	6,655	-
Total Impaired Loans	\$ 57,310	\$ 5,962	\$ 78,083	\$ 8,890
Troubled Debt Restructurings:				
Corporate	\$ 9,204	\$ 1,398	\$ 3,479	\$ 202
Residential/Consumer	3,584	711	1,325	186
Total	\$12,788	\$ 2,109	\$ 4,804	\$ 388

(1) All recorded impaired loan balances have had reserves established based upon management's analysis.

(2) When the discounted cash flows, collateral value or market value equals or exceeds the carrying value of the loan, then the loan does not require an allowance.

As of December 31, 2009 and September 30, 2009, RJ Bank did not have any commitments to lend to borrowers whose existing loans were troubled debt restructurings.

The average balance of the impaired loans above and the related interest income recognized in the Condensed Consolidated Statements of Income for the three months ended December 31, 2009 and 2008 were as follows:

	December 31, 2009	December 31, 2008
(in 000's)		

Average Impaired Loan

Balance:

Corporate	\$ 60,548	\$ 36,454
Residential/Consumer	3,646	474
Total	\$ 64,194	\$ 36,928

Interest Income Recognized:

Corporate	\$ -	\$ -
Residential/Consumer	28	-
Total	\$ 28	\$ -

Changes in the allowance for loan losses at RJ Bank were as follows:

	Three Months Ended	
	December 31, 2009	December 31, 2008
	(\$ in 000's)	
Allowance for Loan Losses, Beginning of Period	\$ 150,272	\$ 88,155
Provision For Loan Losses	22,835	24,870
Charge-Offs:		
Commercial Real Estate Loans	(16,601)	(3,141)
Residential Mortgage Loans	(9,531)	(3,744)
Total Charge-Offs	(26,132)	(6,885)
Recoveries:		
Commercial Real Estate Loans	2,004	-
Residential Mortgage Loans	185	-
Total Recoveries	2,189	-
Net Charge-Offs	(23,943)	(6,885)
Allowance for Loan Losses, End of Period	\$ 149,164	\$ 106,140
Net Charge-Offs to Average Bank Loans, Net Outstanding	0.37%	0.09%

The reserves for unfunded lending commitments, included in Trade and Other Payables on our Condensed Consolidated Statements of Financial Condition, were \$10 million and \$9.4 million at December 31, 2009 and September 30, 2009, respectively.

RJ Bank's net interest income after provision for loan losses for the quarter ended December 31, 2009 and 2008 was \$42.8 million and \$69.6 million, respectively.

NOTE 7 - VARIABLE INTEREST ENTITIES:

A VIE requires consolidation by the entity's primary beneficiary. Refer to Note 1 page 86 and Note 8 pages 102 - 105 in our 2009 Form 10-K for a further description of our policies regarding consolidation of VIEs and our principal involvement with VIEs.

We evaluate all of the entities in which we are involved to determine if the entity is a VIE and if so, whether we are the primary beneficiary. We hold variable interests in the following entities: Raymond James Employee Investment Funds I and II (the "EIF Funds"), a trust fund established for employee retention purposes, certain low income housing tax credit fund entities in which Raymond James Tax Credit Funds, Inc. ("RJTCF") holds an interest, and various other partnerships involving real estate.

VIEs where we are the Primary Beneficiary

Of the VIEs in which we hold an interest, we have determined that the EIF Funds, the trust fund established for retention purposes, and certain of RJTCF's low income housing tax credit fund entities are required to be consolidated in our financial statements as we are the primary beneficiary of those VIEs.

The following table presents information about the assets, liabilities, and equity of the VIEs which we consolidate and are included within our Condensed Consolidated Statements of Financial Condition. The Noncontrolling Interests presented in this table represents the portion of these net assets which is not ours:

	December 31, 2009	September 30, 2009
(in 000's)		
Assets:		
Cash and Cash Equivalents	\$ 12,328	\$ 12,393
Receivables, Other	2,505	2,803
Investments in Real Estate Partnerships – Held by Variable Interest Entities	276,335	270,139
Trust Fund Investment in Raymond James Financial, Inc. Common Stock(1)	15,362	12,120
Prepaid Expenses and Other Assets	16,379	17,195
Total Assets	\$ 322,909	\$ 314,650
Liabilities And Equity:		
Loans Payable Related to Investments by Variable Interest Entities in Real Estate Partnerships(2)	\$ 81,821	\$ 89,244
Trade and Other Payable	1,704	1,964
Intercompany Payable	15,368	20,033
Total Liabilities	98,893	111,241
RJF Equity	54,188	55,092
Noncontrolling Interests	169,828	148,317
Total Equity	224,016	203,409
Total Liabilities and Equity	\$ 322,909	\$ 314,650

(1) Included in common shares in treasury in our Condensed Consolidated Statements of Financial Condition.

(2) Comprised of several non-recourse loans. We are not contingently liable under any of these loans.

The following table presents information about the net loss of the VIEs for the quarter ended December 31, 2009 and 2008, which we consolidate and are included within our Condensed Consolidated Statements of Income. The Noncontrolling Interests presented in this table represents the portion of the net loss from these VIEs which is not ours.

	Three Months Ended	
	December 31, 2009	December 31, 2008
(in 000's)		
Revenues:		

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Interest	\$ 6	\$ 121
Other	1,043	1,421
Total Revenues	1,049	1,542
Interest Expense	1,113	1,397
Net (Expense) Revenues	(64)	145
Non-Interest Expenses	3,693	3,458
Net Loss Before Attribution of Noncontrolling Interests	(3,757)	(3,313)
Net Loss Attributable to Noncontrolling Interests	(2,853)	(3,069)
Net Loss Attributable to RJF	\$ (904)	\$ (244)

EIF Funds

We are deemed to be the primary beneficiary, and accordingly, we consolidate the EIF Funds, which have combined assets of approximately \$18.1 million at December 31, 2009. None of those assets act as collateral for any obligations of the EIF Funds. Our exposure to loss is limited to our contributions and the non-recourse loans funded to the employee investors, for which their partnership interests serve as collateral. This exposure is approximately \$800,000 at December 31, 2009.

Restricted Stock Trust Fund

We are deemed to be the primary beneficiary, and accordingly, consolidate this trust fund used in connection with one of our restricted stock plans. The trust fund has assets of approximately \$15.4 million at December 31, 2009. None of those assets are specifically pledged as collateral for any obligations of the trust fund. Our exposure to loss is limited to our contributions to the trust fund and that exposure is approximately \$15.4 million at December 31, 2009.

Low Income Housing Partnerships

RJTFCF is the managing member or general partner in approximately 59 separate tax credit housing funds having one or more investor members or limited partners.

RJTFCF has concluded that it is the primary beneficiary in approximately 12 of the 56 low income housing tax credit funds it has determined to be VIEs, and accordingly, consolidates these funds, which have combined assets of approximately \$289.4 million at December 31, 2009. None of these assets act as collateral for any obligations of these funds. The investor member(s) or limited partner(s) of the VIEs bear the risk of loss on their investments. Our exposure to loss is limited to our investments in, advances to, and receivables due from these funds and that exposure is approximately \$56.5 million at December 31, 2009.

VIEs where we hold a variable interest but we are not the Primary Beneficiary

Low Income Housing Partnerships

RJTFCF is not the primary beneficiary of the remaining 44 low income housing tax credit funds it determined to be VIEs, and accordingly, we do not consolidate these funds. These funds have combined assets of approximately \$1.15 billion at December 31, 2009. Our exposure to loss is limited to our investments in, advances to, and receivables due from these funds and that exposure is approximately \$4.6 million at December 31, 2009.

Other Real Estate Limited Partnerships

As of December 31, 2009, we have a variable interest in several limited partnerships involved in various real estate activities in which one of our subsidiaries is the general partner. Given that we are not entitled to receive the majority of any residual returns and we do not have the ability to significantly influence the financial results of these partnerships, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships which have assets of approximately \$11 million at December 31, 2009. The carrying value of our investment in these partnerships, and therefore our exposure to any of their losses, is insignificant at December 31, 2009.

Entities evaluated but determined not to be VIEs

RJTCF has determined that three of its low income housing tax credit funds are not VIEs. These funds are held 99% by RJTCF. At December 31, 2009, only one of these funds had any material activity. These funds typically hold interests in certain tax credit limited partnerships for less than 90 days, or until beneficial interest in the fund is sold to third parties. These funds had assets of approximately \$1.6 million, which are included in Other Assets in our Condensed Consolidated Statements of Financial Condition at December 31, 2009, which also represents our exposure to losses as of that date.

See Note 12 of the Notes to Condensed Consolidated Financial Statements for discussion of our commitments related to RJTCF.

NOTE 8 - BANK DEPOSITS:

For further discussion of bank deposits, see Note 10 pages 106 - 107 in our 2009 Form 10-K.

The following table presents a summary of bank deposits at December 31, 2009 and September 30, 2009:

	December 31, 2009		September 30, 2009	
	Balance	Weighted Average Rate (1)	Balance	Weighted Average Rate (1)
(\$ in 000's)				
Bank Deposits:				
Negotiable Order of Withdrawal ("NOW") Accounts	\$ 4,623	0.01%	\$ 3,413	0.01%
Demand Deposits (Non-Interest Bearing)	2,576	-	3,672	-
Savings and Money Market Accounts (2)	6,796,616	0.15%	9,222,823	0.12%
Certificates of Deposit	203,254	3.30%	193,479	3.45%
Total Bank Deposits	\$ 7,007,069	0.24%	\$ 9,423,387	0.19%

- (1) Weighted average rate calculation is based on the actual deposit balances at December 31, 2009 and September 30, 2009, respectively.
- (2) The balance sheet at September 30, 2009 included additional deposits received through the Raymond James Bank Deposit Program ("RJBDP") as part of the transactions associated with the point-in-time regulatory balance sheet composition requirements of RJ Bank. See Note 21 on page 127 of our 2009 Form 10-K for discussion of the September 30, 2009 point-in-time test.

RJ Bank's savings and money market accounts in the table above consist primarily of deposits that are cash balances swept from the investment accounts maintained at RJ&A. These balances are held in the Federal Deposit Insurance Corporation ("FDIC") insured bank accounts through the RJBDP administered by RJ&A.

RJ Bank had direct deposits from RJF executive officers and directors of \$614,000 and \$512,000 at December 31, 2009 and September 30, 2009, respectively.

Scheduled maturities of certificates of deposit at December 31, 2009 and September 30, 2009 were as follows:

	December 31, 2009		September 30, 2009	
	Denominations Greater than or Equal to \$100,000	Denominations Less than \$100,000	Denominations Greater than or Equal to \$100,000	Denominations Less than \$100,000
(in 000's)				
Three Months or Less	\$ 12,965	\$ 18,230	\$ 13,061	\$ 16,097
Over Three Through Six Months	6,046	14,741	6,886	17,454

Over Six Through Twelve Months	11,746	26,754	12,156	30,128
Over One Through Two Years	15,406	30,047	13,580	29,632
Over Two Through Three Years	3,017	10,136	2,720	10,226
Over Three Through Four Years	9,147	10,323	8,993	10,507
Over Four Years	15,764	18,932	8,742	13,297
Total	\$ 74,091	\$ 129,163	\$ 66,138	\$ 127,341

Interest expense on deposits is summarized as follows:

	Three Months Ended	
	December 31, 2009	December 31, 2008
	(in 000's)	
Certificates of Deposit	\$ 1,658	\$ 2,448
Money Market, Savings and NOW Accounts	2,603	12,635
Total Interest Expense on Deposits	\$ 4,261	\$ 15,083

NOTE 9 – OTHER BORROWINGS:

The following table details the components of Other Borrowings at December 31, 2009 and September 30, 2009:

	December 31, 2009	September 30, 2009
(in 000's)		
Short-Term Other Borrowings:		
Federal Home Loan Bank		
Advances (1)	\$ 20,000	\$ 905,000
Borrowings on Secured Lines of Credit (2)	-	30,000
Borrowings on Unsecured Lines of Credit (3)	1,027	-
Total Short-Term Other Borrowings	21,027	935,000
Long-Term Other Borrowings:		
Federal Home Loan Bank Advances		
(1)	30,000	45,000
Total Other Borrowings	\$ 51,027	\$ 980,000

(1) RJ Bank has \$50 million and \$950 million in FHLB advances outstanding at December 31, 2009 and September 30, 2009, respectively. These borrowings at December 31, 2009 are comprised of several short-term and long-term fixed rate advances. The September 30, 2009 FHLB advances included \$900 million in overnight advances to meet point-in-time regulatory balance sheet composition requirements related to its qualifying as a thrift institution. These borrowed funds were invested in qualifying assets and the necessary qualification was met. The overnight advance was repaid on October 1, 2009. There were no overnight advances outstanding as of December 31, 2009.

All FHLB advances are secured by a blanket lien on RJ Bank's residential loan portfolio granted to FHLB. The FHLB has the right to convert advances totaling \$35 million at December 31, 2009 to a floating rate at one or more future dates. RJ Bank has the right to prepay these advances without penalty if the FHLB exercises its right.

(2) Secured borrowings are day-to-day and are generally utilized to finance fixed income securities. We had no secured bank loans outstanding at December 31, 2009. At September 30, 2009, there were \$30 million in outstanding secured borrowings.

(3) We maintain two unsecured settlement lines of credit available to our Argentina joint venture in the aggregate amount of \$4.5 million. At December 31, 2009 there were \$1 million in outstanding borrowings on these lines of credit. There were no borrowings outstanding on these lines of credit as of September 30, 2009.

As of December 31, 2009 and September 30, 2009, we maintained a \$100 million committed unsecured revolving line of credit with no outstanding borrowings. This facility expired under its terms on February 4, 2010. We elected not to renew this revolving credit facility upon its expiration. There were no borrowings made under this facility since its inception on February 6, 2009.

The short-term borrowings as of December 31, 2009 all mature during the following 12 months. The long-term borrowings as of December 31, 2009, based on their contractual terms, mature in their entirety during fiscal year 2011.

As of December 31, 2009, there were collateralized financings outstanding in the amount of \$23 million. These collateralized financings are included in Securities Sold Under Agreement to Repurchase on the Consolidated Statements of Financial Condition. As of September 30, 2009, in addition to the \$30 million of secured borrowings which are described above, there were \$74.3 million of collateralized financings outstanding which are included in Securities Sold Under Agreements to Repurchase on the Condensed Consolidated Statements of Financial Condition. These financings were collateralized by non-customer, RJ&A-owned securities and were repaid during the quarter ended December 31, 2009.

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS:

We enter into interest rate swaps and futures contracts as part of our fixed income business to facilitate customer transactions and to hedge a portion of our trading inventory. The majority of our derivative positions are executed in the over-the-counter market with financial institutions. These positions are recorded at fair value with the related gain or loss and interest recorded in earnings within the Condensed Consolidated Statements of Income. The revenue related to the interest rate contracts includes realized and unrealized gains and losses on derivative instruments. Cash flows related to these fixed income interest rate contracts are included as Operating Activities (the “Trading Instruments, Net” line) on the Condensed Consolidated Statements of Cash Flows for the period.

We elect to net-by-counterparty the fair value of interest rate swap contracts entered into by our Fixed Income Trading group. Certain of these contracts contain a legally enforceable master netting arrangement and therefore, the fair value of those swap contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. As we elect to net-by-counterparty the fair value of interest rate swap contracts, we also net-by-counterparty any collateral exchanged as part of the swap agreement. This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions at December 31, 2009 and September 30, 2009, is \$1.9 million and \$(2.2) million, respectively. The cash collateral included in the net fair value of all open derivative liability positions at December 31, 2009 and September 30, 2009, is \$(1.3) million and \$10.3 million, respectively. The master netting agreement referenced above allows for netting of all individual swap receivables and payables with each counterparty. The credit support annex allows parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. Our maximum loss exposure under these interest rate swap contracts at December 31, 2009 is \$24.5 million.

To mitigate interest rate risk in a significantly rising rate environment during the year ended September 30, 2008, RJ Bank purchased three-year term interest rate caps with high strike rates (more than 300 basis points higher than rates in effect as of their date of purchase). These interest rate caps will increase in value over time if interest rates rise and will entitle RJ Bank to cash flows if interest rates rise above their strike rates. In addition, RJ Bank, in the ordinary course of business, enters into commitments to sell originated fixed-rate mortgages as well as Small Business Administration (“SBA”) loans. These derivative instruments are recorded at fair value with any changes in fair value recorded in earnings within the Condensed Consolidated Statements of Income for the period. Cash flows related to these derivative instruments are included in Operating Activities on the Condensed Consolidated Statements of Cash Flows for the period. Our maximum loss exposure under these derivative instruments is \$223,000 at December 31, 2009.

A subsidiary of RJTCF has made commitments to provide certain loans of a relatively long duration at a fixed rate of interest (“Permanent Loan Commitments”) directly to certain low income housing project partnerships subject only to those project partnerships meeting certain qualifying criteria within a prospective two-year period. These Permanent Loan Commitments meet the criteria of a derivative. As such, the Permanent Loan Commitments are recorded at fair value with any changes in fair value recorded in earnings within the Condensed Consolidated Statements of Income. Cash flows related to these commitments are reflected in Operating Activities on the Condensed Consolidated Statements of Cash Flows. Our maximum loss exposure under these Permanent Loan Commitments at December 31, 2009 is \$3.7 million.

None of our derivatives meet the criteria for designation as a fair value or cash flow hedge.

See the table below for the notional and fair value amounts of both the asset and liability derivatives at December 31, 2009 and September 30, 2009:

Asset Derivatives						
December 31, 2009				September 30, 2009		
	Balance Sheet Location	Notional Amount	Fair Value (1)	Balance Sheet Location	Notional Amount	Fair Value (1)
(in 000's)						
Derivatives Not Designated As Hedging Instruments:						
Interest rate contracts:	Trading Instruments	\$1,319,739	\$87,423	Trading Instruments	\$1,311,262	\$104,956
	Other Assets	1,500,000	191	Other Assets	1,500,000	297
Forward sale contracts:	Trading Instruments	-	-	Trading Instruments	5,861	222
	Other Assets	8,937	32	Other Assets	-	-

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

Liability Derivatives						
December 31, 2009				September 30, 2009		
	Balance Sheet Location	Notional Amount	Fair Value (1)	Balance Sheet Location	Notional Amount	Fair Value (1)
(in 000's)						
Derivatives Not Designated As Hedging Instruments:						
Interest rate contracts:	Trading Instruments			Trading Instruments		
	Sold	\$1,252,773	\$66,838	Sold	\$1,125,501	\$85,375
Forward sale contracts:	Trade and Other Payables	-	-	Trade and Other Payables	2,489	6
	Trading Instruments			Trading Instruments		
	Sold	3,680	117	Sold	-	-

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

See the table below for the impact of the derivatives not designated as hedging instruments on the Condensed Consolidated Statements of Income for the three months ended December 31, 2009 and 2008, respectively:

	Location of Gain (Loss) Recognized on Derivatives In Income	Amount of Gain (Loss) on Derivatives Recognized In Income	
		Three Months Ended December 31,	
		2009	2008
(in 000's)			
Derivatives Not Designated As Hedging Instruments			
	Net Trading		
Interest rate contracts:	Profits	\$1,853	\$(4,323)
	Other Revenues	(106)	(1,212)
Forward sale contracts:	Other Revenues	(339)	(89)
	Other Expenses	38	2

We are exposed to credit losses in the event of nonperformance by the counterparties to our interest rate derivative agreements. We perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. Currently, we anticipate that all of the counterparties will be able to fully satisfy their obligations under those agreements. We may require collateral in the form of cash deposits from counterparties to support these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties. We are also exposed to interest rate risk related to our interest rate derivative agreements. For the derivatives included in trading instruments and trading instruments sold on our Condensed Consolidated Statements of Financial Condition, we monitor exposure in our derivative agreements daily based on established limits with respect to a number of factors, including interest rate, spread, ratio, basis, and volatility risks. These exposures are monitored both on a total portfolio basis and separately for each agreement for selected maturity periods.

NOTE 11 - INCOME TAXES:

For further discussion of income tax matters, see Note 15 pages 111 - 113 in our 2009 Form 10-K.

As of December 31, 2009 and September 30, 2009 our liability for unrecognized tax benefits was \$4.7 million and \$4.6 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate for income from continuing operations was \$3.6 million and \$3.4 million at December 31, 2009 and September 30, 2009, respectively.

We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of December 31, 2009 and September 30, 2009, accrued interest and penalties included in the unrecognized tax benefits liability were approximately \$1.7 million and \$1.6 million, respectively.

The decrease in our effective income tax rate of 1.7% since the prior year was predominately attributable to our forecast of the non-taxable investment performance of our Company Owned Life Insurance investments.

We file U.S. federal income tax returns as well as returns with various state, local and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for years prior to fiscal year 2009 for federal tax returns, fiscal year 2005 for state and local tax returns, and fiscal year 2001 for foreign tax returns. Our fiscal year 2009 federal income tax return is currently being examined under the Internal Revenue Service ("IRS") Compliance Assurance Program. This program accelerates the examination of key issues in an attempt to resolve them before the tax return is filed. Certain state and local returns are also currently under various stages of audit. The fiscal year 2009 IRS audit and state audits in process are expected to be completed during fiscal year 2010. We anticipate that the unrecognized tax benefit may increase by an estimated \$600,000 over the next 12 months.

NOTE 12 – COMMITMENTS AND CONTINGENCIES:

As of December 31, 2009, RJ Bank had \$1 billion in immediate credit available from the FHLB and total available credit of 40% of total assets with the pledging of additional collateral to the FHLB.

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. ("RJCS"), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower's default for exposure under interest rate swaps entered into with RJCS. At December 31, 2009, the current exposure under these guarantees was \$10.8 million, which was underwritten as part of the larger corporate credit relationship. At September 30, 2009, the exposure under these guarantees was \$12.1 million. The estimated total potential exposure under these guarantees is \$13.8 million at December 31, 2009.

As of December 31, 2009, RJ Bank had not settled purchases of \$14.2 million in syndicated loans. These loan purchases are expected to be settled within 90 days. As of September 30, 2009, there were no purchases of syndicated loans that had not settled.

See Note 16 of these Notes to Condensed Consolidated Financial Statements for additional information regarding RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases.

In the normal course of business we enter into underwriting commitments. RJ&A had no open transactions related to underwriting commitments as of December 31, 2009. Transactions relating to underwriting commitments of RJ Ltd. that were open at December 31, 2009 were approximately CDN \$12.3 million.

We utilize client marginable securities to satisfy deposits with clearing organizations. At December 31, 2009, we had client margin securities valued at \$98.7 million pledged with a clearing organization to meet the point-in-time requirement of \$87.9 million. At September 30, 2009, we had client margin securities valued at \$212.4 million pledged with a clearing organization to meet the point-in-time requirement of \$110 million.

We offer loans and transition assistance to our financial advisors mainly for recruiting or retention purposes. These commitments are contingent upon certain events occurring, including but not limited to the financial advisor joining us and meeting certain production requirements. In certain circumstances, we may make commitments prior to funding them. As of December 31, 2009, we made commitments of approximately \$28.9 million in loans and transition assistance that have not yet been funded.

We have committed a total of \$62.3 million, in amounts ranging from \$200,000 to \$5 million, to 45 different independent venture capital or private equity partnerships. In addition, we have a commitment totaling \$38.2 million to two additional private equity limited partnerships. As of December 31, 2009, we have invested \$54.7 million of the committed amounts and have received \$37.3 million in distributions. We also control the general partner in two internally sponsored private equity limited partnerships to which we have committed and invested \$6.5 million. We have received \$4.3 million in distributions from these two partnerships as of December 31, 2009.

We are the general partner in EIF Funds. These limited partnerships invest in certain of our merchant banking and private equity activities as well as other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain of our qualified key employees. At December 31, 2009, the funds have unfunded commitments of \$900,000.

At December 31, 2009, the approximate market values of collateral received that can be repledged by us, were:

Sources of Collateral (in 000's):	
Securities Purchased Under Agreements to Resell and Other	
Collateralized Financings	\$ 79,973
Securities Received in Securities Borrowed vs. Cash Transactions	612,314
Collateral Received for Margin Loans	1,155,363
Total	\$ 1,847,650

During the year certain collateral was repledged. At December 31, 2009, the approximate market values of this portion of collateral and financial instruments owned that were pledged by us, were:

Uses of Collateral and Trading Securities (in 000's):	
Securities Sold Under Agreements to Repurchase	\$ 22,690
Securities Delivered in Securities Loaned vs. Cash Transactions	974,795
Collateral Used for Deposits at Clearing Organizations	113,255
Total	\$ 1,110,740

We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At December 31, 2009, there were no outstanding performance guarantees in Argentina.

We guarantee the existing mortgage debt of RJ&A of approximately \$58.3 million. We guarantee interest rate swap obligations of RJCS.

We have committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low income housing development/rehabilitation and syndication activities, aggregating up to \$125 million upon request, subject to certain limitations as well as annual review and renewal. RJTCF borrows in order to invest in partnerships which purchase and develop properties qualifying for tax credits ("project partnerships"). These investments in project partnerships are then sold to various tax credit funds, which have third-party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells these investments within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings.

RJTCF has provided certain specific performance guarantees to third-party investors of one of its fund offerings ("Fund 34"). In turn, we are guaranteeing RJTCF's performance on those guarantees.

RJTFCF may make short-term loans or advances to project partnerships on behalf of the tax credit funds in which it serves as managing member or general partner. At December 31, 2009, cash funded to invest in either loans or investments in project partnerships was \$12.4 million. RJTFCF also issues certain guarantees to various third parties related to project partnerships whose interests have been sold to one or more tax credit funds under RJTFCF's management. In some instances, RJTFCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately \$2.2 million as of December 31, 2009.

Through RJTFCF's wholly owned lending subsidiary, Raymond James Multi-Family Finance, Inc., certain construction loans or loans of longer duration ("permanent loans") may be made directly to certain project partnerships. Two permanent loan commitments were outstanding as of December 31, 2009. These commitments will only be funded if certain conditions are achieved by the project partnership and in the event such conditions are not met, generally expire two years after their issuance. The total amount of unfunded permanent loan commitments as of December 31, 2009 was \$3.7 million.

As a result of the extensive regulation of the financial services industry, our broker-dealer and investment advisory subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations, which can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censure to fines and, in serious cases, temporary or permanent suspension from conducting business. In addition, from time to time regulatory agencies and self-regulatory organizations institute investigations into industry practices, which can also result in the imposition of such sanctions.

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business as well as other corporate litigation. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending, and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. In the opinion of our management, based on current available information, review with outside legal counsel, and consideration of amounts provided for in the accompanying consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

For further information on our accounting policies regarding legal reserves, see Note 1 page 86 of our 2009 Form 10-K.

NOTE 13 – OPERATING INTEREST INCOME AND OPERATING INTEREST EXPENSE:

The components of operating interest income and operating interest expense are as follows:

	Three Months Ended	
	December	December
	31,	31,
	2009	2008
	(in 000's)	
Operating Interest Income:		
Margin Balances	\$ 11,048	\$ 11,738
Assets Segregated Pursuant to Regulations and Other Segregated Assets	1,757	6,317
Bank Loans, Net of Unearned Income	64,856	99,645
Available for Sale Securities	4,914	7,514
Trading Instruments	3,958	4,307
Stock Borrow	1,765	3,290
Interest Income of Variable Interest Entities	6	121
Other	3,068	10,680
Total Operating Interest Income	91,372	143,612
Operating Interest Expense:		
Brokerage Client Liabilities	965	8,405
Retail Bank Deposits	4,261	15,083
Stock Loan	549	1,439
Borrowed Funds	1,533	1,823
Senior Notes	6,522	-
Interest Expense of VIEs	1,113	1,397
Other	759	3,744
Total Operating Interest Expense	15,702	31,891
Net Operating Interest Income	\$ 75,670	\$ 111,721

NOTE 14 – SHARE-BASED COMPENSATION:

For a discussion of our accounting policies and other information relating to employee and our Board of Director share-based compensation, see Note 19 pages 117 - 121 of our 2009 Form 10-K.

Expense and income tax benefits related to our share-based compensation plans available for grants to employees and members of our Board of Directors are presented below:

	Three Months Ended	
	December 31,	
	2009	2008
	(in 000's)	
Total share-based expense	\$ 11,567	\$ 11,074
	3,209	3,462

Income tax benefits related to
share-based expense

For the three months ended December 31, 2009, we reversed \$457,000 of excess tax benefits resulting in a reduction of additional paid-in capital.

During the three months ended December 31, 2009, we granted 1,516,400 stock options, 480,927 shares of restricted stock, and 130,601 restricted stock units to employees under our share-based employee compensation plans. During the three months ended December 31, 2009, no stock options were granted to outside directors. Restricted stock grants under the 2007 Stock Bonus Plan and the 2005 Restricted Stock Plan are limited to 750,000 and 2,000,000 shares, respectively, per fiscal year.

Pre-tax unrecognized expense for share-based awards granted to employees and directors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2009 are presented below:

	Pre-Tax Unrecognized Expense (in 000's)	Remaining Weighted- Average Period
Stock Options	\$ 21,921	3.9 years
Restricted Stock	52,582	3.3 years
Restricted Stock Units	7,250	1.9 years

The weighted average grant-date fair value of share-based awards granted to employees and directors for the three months ended December 31, 2009 is presented below:

	Weighted-Average Grant-Date Fair Value (per share)
Stock Options	\$ 10.83
Restricted Stock	23.95
Restricted Stock Units	24.24

For a discussion of our accounting policies and other information relating to non-employee stock-based and other compensation, see Note 20 pages 122 - 124 of our 2009 Form 10-K.

Expense and income tax benefits related to our share-based compensation plans available for grants to independent contractor financial advisors are presented below:

	Three Months Ended December 31,	
	2009	2008
	(in 000's)	
Total share-based expense (expense reduction)	\$ 1,087	\$ (8,709)
Income tax benefits related to share-based expense	408	(3,309)

During the three months ended December 31, 2009, we granted 46,500 stock options and 5,858 shares of restricted stock to independent contractor financial advisors.

Pre-tax unrecognized expense for share-based awards granted to independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2009 are presented below:

	Pre-Tax Unrecognized Expense (in 000's)	Remaining Weighted- Average Period
Stock Options	\$ 1,486	2.5 years
Restricted Stock	2,147	3.4 years

The weighted average fair value of unvested share-based awards granted to independent contractor financial advisors at December 31, 2009 is presented below:

	Weighted-Average Fair Value on December 31, 2009 (per share)
Stock Options	\$ 6.53
Restricted Stock	23.77

NOTE 15 - REGULATIONS AND CAPITAL REQUIREMENTS:

For a discussion of the various regulations and capital requirements applicable to certain of our businesses and subsidiaries, see Note 21 pages 124 - 127 of our 2009 Form 10-K.

The net capital position of RJ&A at December 31, 2009 and September 30, 2009 was as follows:

	December 31, 2009	September 30, 2009
	(\$ in 000's)	
Raymond James & Associates, Inc.:		
(Alternative Method Elected)		
Net Capital as a Percent of Aggregate Debit Items		
	27.87%	20.42%
Net Capital	\$ 399,283	\$ 278,092
Less: Required Net Capital	(28,656)	(27,233)
Excess Net Capital	\$ 370,627	\$ 250,859

The net capital position of Raymond James Financial Services, Inc. at December 31, 2009 and September 30, 2009 was as follows:

	December 31, 2009	September 30, 2009
	(in 000's)	
Raymond James Financial Services, Inc.:		
(Alternative Method Elected)		
Net Capital	\$ 18,124	\$ 18,882
Less: Required Net Capital	(250)	(250)
Excess Net Capital	\$ 17,874	\$ 18,632

The Risk Adjusted Capital of our Canadian broker-dealer subsidiary Raymond James Ltd. at December 31, 2009 and September 30, 2009 was as follows (in Canadian dollars):

	December 31, 2009	September 30, 2009
	(in 000's)	
Raymond James Ltd.:		
Risk Adjusted Capital before minimum	\$ 44,569	\$ 35,575
Less: Required Minimum Capital	(250)	(250)
Risk Adjusted Capital	\$ 44,319	\$ 35,325

At December 31, 2009, our other active domestic and international broker-dealers are in compliance with and met all net capital requirements.

As of December 31, 2009, the most recent notification from the Office of Thrift Supervision (“OTS”) categorized RJ Bank as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized”, RJ Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed RJ Bank's category.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio

(\$ in 000's)

As of December 31, 2009:

Total Capital (to	\$		\$		\$	
Risk-Weighted Assets)	925,357	13.0%	571,043	8.0%	713,804	10.0%
Tier I Capital (to						
Risk-Weighted Assets)	835,465	11.7%	285,521	4.0%	428,282	6.0%
Tier I Capital (to						
Adjusted Assets)	835,465	10.5%	317,795	4.0%	397,244	5.0%

As of September 30, 2009 :

Total Capital (to	\$		\$		\$	
Risk-Weighted Assets)	909,959	12.7%	573,153	8.0%	716,441	10.0%
Tier I Capital (to						
Risk-Weighted Assets)	819,747	11.4%	286,576	4.0%	429,864	6.0%
Tier I Capital (to						
Adjusted Assets)	819,747	7.3%	448,672	4.0%	560,841	5.0%

NOTE 16 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

For a discussion of our financial instruments with off-balance sheet risk, see Note 22 pages 127 - 129 of our 2009 Form 10-K.

RJ Bank has outstanding at any time a significant number of commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases. These arrangements are subject to strict credit control assessments and each customer's credit worthiness is evaluated on a case-by-case basis. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and RJ Bank's exposure is limited to the replacement value of those commitments. A summary of commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding at December 31, 2009 and September 30, 2009 is as follows:

	December 31, 2009	September 30, 2009
	(in 000's)	
Standby Letters of Credit (1)	\$ 243,705	\$ 242,486
Open End Consumer Lines of Credit	32,937	35,369
Commercial Lines of Credit	1,562,825	1,479,260
Unfunded Loan Commitments - Variable Rate	316,519	155,518
Unfunded Loan Commitments - Fixed Rate	7,911	7,553

(1) Of the letters of credit outstanding at December 31, 2009, \$241.7 million are underwritten as part of a larger corporate credit relationship.

Because many lending commitments expire without being funded in whole or part, the contract amounts are not estimates of our actual future credit exposure or future liquidity requirements. We maintain a reserve to provide for potential losses related to the unfunded lending commitments. See Note 6 of these Notes to Condensed Consolidated Financial Statements for further information regarding the allowance for loan losses.

RJ Bank had commitments to sell SBA loan pool securitizations totaling \$33.1 million as of December 31, 2009.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of December 31, 2009, forward contracts outstanding to buy and sell U.S. dollars totaled CDN \$1.8 million and CDN \$1 million, respectively.

NOTE 17 – EARNINGS PER SHARE:

Effective October 1, 2009, we implemented new FASB guidance that changes the manner in which earnings per share is computed. The new guidance requires unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and, therefore, included in the earnings allocation in computing earnings per share under the two-class method. Our unvested restricted shares and restricted stock units granted as part of our share-based compensation are considered participating securities. Earnings per share for the prior periods were revised as required by this new guidance. As a result, earnings per basic and diluted shares have been reduced by \$0.02 for the quarter ended December 31, 2008, compared with amounts previously reported.

The following table presents the computation of basic and diluted earnings per share:

	Three Months Ended	
	December 31, 2009	December 31, 2008
	(in 000's, except per share amounts)	
Income for basic earnings per common share:		
Net income attributable to Raymond James Financial, Inc.	\$ 42,903	\$ 61,093
Less allocation of earnings and dividends to participating securities (1)	1,789	2,403
Net income attributable to Raymond James Financial, Inc. common shareholders	\$ 41,114	\$ 58,690
Income for diluted earnings per common share:		
Net income attributable to Raymond James Financial, Inc.	\$ 42,903	\$ 61,093
Less allocation of earnings and dividends to participating securities (1)	1,787	2,399
Net income attributable to Raymond James Financial, Inc. common shareholders	\$ 41,116	\$ 58,694
Common shares:		
Average common shares in basic computation	118,763	116,307
Dilutive effect of outstanding stock options	220	252
Average common shares used in diluted computation	118,983	116,559
Earnings per common share:		

Basic	\$	0.35	\$	0.50
Diluted	\$	0.35	\$	0.50

Stock options excluded from weighted average diluted common shares because their effect would be antidilutive		3,840		4,087
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(1) Represents dividends paid during the period to participating securities plus an allocation of undistributed earnings to participating securities. Participating securities represent unvested restricted stock and restricted stock units and amounted to weighted average shares of 5.3 million and 4.8 million for the three months ended December 31, 2009 and 2008, respectively. Dividends paid to participating securities amounted to \$547,000 and \$489,000 during the three months ended December 31, 2009 and 2008, respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

NOTE 18 – SEGMENT ANALYSIS:

We currently operate through the following eight business segments: Private Client Group; Capital Markets; Asset Management; RJ Bank; Emerging Markets; Stock Loan/Borrow; Proprietary Capital; and various corporate activities combined in the "Other" segment. The business segments are based upon factors such as the services provided and the distribution channels served and are consistent with how we assess performance and determine how to allocate our resources throughout our subsidiaries. For a further discussion of our business segments, see Note 24 pages 130 - 132 of our 2009 Form 10-K

Information concerning operations in these segments of business is as follows:

	Three Months Ended	
	December 31, 2009	December 31, 2008
	(in 000's)	
Revenues:		
Private Client Group	\$ 454,824	\$ 414,544
Capital Markets	133,773	128,706
Asset Management	49,998	51,291
RJ Bank	68,922	109,239
Emerging Markets	3,718	4,323
Stock Loan/Borrow	1,875	3,290
Proprietary Capital	(35)	538
Other	1,758	1,086
I n t e r s e g m e n t	(12,164)	(17,184)
Eliminations		
Total Revenues	\$ 702,669	\$ 695,833

Income (Loss) Before Provision for Income Taxes
and Noncontrolling Interests:

Private Client Group	\$ 31,712	\$ 32,585
Capital Markets	11,394	14,289
Asset Management	12,066	9,074
RJ Bank	24,637	54,626
Emerging Markets	(1,412)	(465)
Stock Loan/Borrow	687	1,223
Proprietary Capital	(812)	(544)
Other	(8,884)	(9,124)
Pre-Tax Income	69,388	101,664
A d d : N e t L o s s		
Attributable to	(2,275)	(5,007)
Noncontrolling		
Interests		
Income Before Provision for Income Taxes and Noncontrolling Interests	\$ 67,113	\$ 96,657

Net Interest Income (Expense):

Private Client Group	\$ 12,783	\$ 12,161
Capital Markets	883	1,328
Asset Management	24	113
RJ Bank	65,611	94,463
Emerging Markets	(1)	237
Stock Loan/Borrow	1,216	1,851
Proprietary Capital	1	149
Other	(4,847)	1,419
Net Interest Income	\$ 75,670	\$ 111,721

The following table presents our total assets on a segment basis:

	December 31, 2009	September 30, 2009
	(in 000's)	
Total Assets:		
Private Client Group (1)	\$ 4,280,265	\$ 4,900,852
Capital Markets (2)	1,184,831	1,246,472
Asset Management	62,613	59,847
RJ Bank	7,882,574	11,137,440
Emerging Markets	46,298	47,201
Stock Loan/Borrow	1,010,383	491,650
Proprietary Capital	150,681	147,832
Other	74,350	195,434
Total	\$ 14,691,995	\$ 18,226,728