

RAYMOND JAMES FINANCIAL INC
Form DEF 14A
January 12, 2009

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
SCHEDULE 14A

OMB APPROVAL
OMB Number: 3235-0059

Expires: January 31, 2008
Estimated average burden
hours per response... 14

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant **x**
Filed by a Party other than the Registrant **o**

Check the appropriate box:

- o** Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule §240.14a-12

RAYMOND JAMES FINANCIAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x** No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

SEC 1913 (04-05)

**Persons who are to respond to the collection of information
contained in this form are not required to respond unless the
form displays a currently valid OMB control number.**

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

RAYMOND JAMES FINANCIAL, INC.

**880 Carillon Parkway
St. Petersburg, Florida 33716
(727) 567-1000**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

February 19, 2009

To the Shareholders of Raymond James Financial, Inc.:

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form DEF 14A

The Annual Meeting of Shareholders of Raymond James Financial, Inc. will be held at the Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, Florida, on Thursday, February 19, 2009 at 4:30 p.m. for the following purposes:

1. To elect ten nominees to the Board of Directors of the Company.
2. To ratify the appointment by the Audit Committee of the Board of Directors of KPMG LLP as the Company's independent registered public accounting firm.
3. To approve an amendment to the 2005 Restricted Stock Plan.
4. To approve an amendment to the 2003 Employee Stock Purchase Plan.

Shareholders of record as of the close of business on December 24, 2008 will be entitled to vote at this meeting or any adjournment thereof. Information relating to the matters to be considered and voted on at the Annual Meeting is set forth in the Proxy Statement accompanying this Notice.

By order of the Board of Directors,

/s/ PAUL L. MATECKI

Paul L. Matecki, Secretary

January 5, 2009

YOUR VOTE IS IMPORTANT TO THE COMPANY. If you do not expect to attend the meeting in person, please vote on the matters to be considered at the meeting by completing the enclosed proxy and mailing it promptly in the enclosed envelope, or by telephone or internet vote.

Important Notice Regarding the Availability of Proxy Materials For the Shareholder Meeting to be held on February 19, 2009

**The proxy statement, proxy card and 2008 annual report to shareholders are available at
www.RaymondJames.com under About Our Company Investor Relations Shareholders Meeting**

The annual meeting of shareholders of Raymond James Financial, Inc. will be held on February 19, 2009 at 4:30 p.m. at the offices of the Company at 880 Carillon Parkway, St. Petersburg, Florida.

The matters intended to be acted upon are:

1. To elect ten nominees to the Board of Directors of the Company.
2. To ratify the appointment by the Audit Committee of the Board of Directors of KPMG LLP as the Company's independent registered public accounting firm.
3. To approve an amendment to the 2005 Restricted Stock Plan.
4. To approve an amendment to the 2003 Employee Stock Purchase Plan.

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form DEF 14A

The Board of Directors recommends voting in favor of the nominees listed in the proxy statement, for the appointment of KPMG LLP and for approval of the amendments to the two plans.

The following proxy materials are being made available at the website location specified above.

1. The proxy statement for the 2009 annual meeting of shareholders;
2. The 2008 annual report to shareholders;
3. The form of proxy card being distributed to shareholders in connection with the 2009 annual meeting of shareholders.

Control/identification numbers are contained in the proxy materials accompanying this notice.

To obtain directions to attend the annual meeting and vote in person, contact the Corporate Secretary at (727) 567-1000.

If the form of proxy is completed, signed and returned, the shares represented thereby will be voted at the meeting. Delivery of the proxy does not affect your right to attend the meeting. However, if your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy from the holder of record, executed in your favor, to be able to vote at the meeting. Otherwise, your shares will be voted in the manner in which you instructed the record holder of your shares.

ii

TABLE OF CONTENTS

	Page
Proxy Statement	1
Shareholders Sharing the Same Last Name and Address	1
Electronic Access to Corporate Governance Documents	2
Electronic Access to Proxy Materials and Annual Report; Internet Voting	2
Shareholders Entitled to Vote and Principal Shareholders	2
Proposal 1: Election of Directors	4
Information Regarding Board and Committee Structure	7
Director Compensation	8
Director Compensation for Fiscal Year Ended September 30, 2008	9
Section 16(a) Beneficial Ownership Reporting Compliance	10
Report of the Audit Committee of the Board of Directors	10
Compensation Discussion and Analysis	12
Fiscal 2008 Bonus Formulas for Named Executive Officers	18
Fiscal 2009 Bonus Formulas for Certain Executive Officers as Approved by the CGN&C Committee	19
Summary Compensation Table	20
Grants of Plan Based Awards for Fiscal Year Ended September 30, 2008	21
Outstanding Equity Awards at Fiscal Year End September 30, 2008	22
Option Exercises and Stock Awards Vested for Fiscal Year Ended September 30, 2008	23
Nonqualified Deferred Compensation	24
Transactions with Related Persons	25
Equity Compensation Plan Information	27
Proposal 2: To Ratify the Appointment by the Audit Committee of the Board of Directors of KPMG LLP as the Company's Independent Registered Public Accounting Firm	28
Fees Paid to Independent Registered Public Accounting Firm	29

	Page
Proposal 3: To Approve an Amendment to the 2005 Restricted Stock Plan.	29
Proposal 4: To Approve an Amendment to the 2003 Employee Stock Purchase Plan.	31
Shareholder Proposals and Other Matters	33
Appendix A: Text of the 2005 Raymond James Financial, Inc. Restricted Stock Plan, as amended, as proposed to be further amended.	A-1
Appendix B: Text of the Raymond James Financial, Inc. 2003 Employee Stock Purchase Plan, as proposed to be amended.	B-1

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Raymond James Financial, Inc. (the **Company**) for the Annual Meeting of Shareholders to be held on February 19, 2009 at 4:30 p.m., or any adjournment thereof. These proxy materials are expected to be mailed out on or about January 15, 2009, to all shareholders entitled to vote at the meeting.

If the accompanying proxy form is completed, signed and returned, the shares represented thereby will be voted at the meeting. Delivery of the proxy does not affect your right to attend the meeting. However, if your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy from the holder of record, executed in your favor, to be able to vote at the meeting. Otherwise, your shares will be voted in the manner in which you instructed the record holder of your shares.

If you are a shareholder of record, you may revoke your proxy at any time prior to the close of the polls at the Annual Meeting by submitting a later dated proxy to the Company's Corporate Secretary, or delivering a written notice of revocation to the Corporate Secretary, at Raymond James Financial, Inc., 880 Carillon Parkway, St. Petersburg, Florida, 33716. If you hold shares through a bank, broker or other holder of record, you must contact that entity to revoke any prior voting instructions.

Each share of the Company's common stock outstanding on the record date will be entitled to one vote on each matter. The ten nominees for election as directors who receive the most votes for election will be elected. Ratification of the appointment of the Company's independent registered public accounting firm, approval of Proposal No. 3, and approval of Proposal No. 4 or other business that may properly come before the meeting will each require that the votes cast favoring the action exceed the votes cast opposing the action.

For election of directors, withheld votes, abstentions and broker non-votes do not affect whether a nominee has received sufficient votes to be elected. For the purpose of determining whether the shareholders have approved matters other than the election of directors, withheld votes, abstentions and broker non-votes do not have the same effect as a negative vote. Shares represented at the Annual Meeting in person or by proxy are counted for quorum purposes, even if they are not voted on any matter. Please note that banks and brokers that have not received voting instructions from their customers may vote their customers' shares on the election of directors and the ratification of KPMG LLP as the Company's independent registered public accounting firm, but not on Proposal 3 or Proposal 4.

A copy of the Company's Annual Report is being furnished to each shareholder together with this proxy statement. All proxy solicitation costs will be paid by the Company.

SHAREHOLDERS SHARING THE SAME LAST NAME AND ADDRESS

In accordance with notices that certain banks and brokerage firms sent to certain shareholders, shareholders who share the same last name and address are receiving only one copy of the Company's annual report and proxy statement, unless they have notified the Company that they want to continue receiving multiple copies. This practice, known as householding, is designed to reduce duplicate mailings and save significant printing and postage costs as well as natural resources.

If you received a household mailing this year and you would like to have additional copies of the Company's annual report and/or proxy statement mailed to you, or you would like to opt out of this practice for future mailings, please contact the Corporate Secretary at (727) 567-1000 or write to him care of Raymond James Financial, Inc., 880 Carillon Parkway, St. Petersburg, FL 33716. We will promptly send additional copies of the annual report and/or proxy statement upon receipt of such request.

Householding for bank and brokerage accounts is limited to accounts within the same bank or brokerage firm. For example, if you and your spouse share the same last name and address, and you and your spouse each have accounts containing Raymond James Financial stock at two different brokerage firms, your household will receive two copies of the Company's annual meeting materials—one from each brokerage firm. To reduce the number of duplicate sets of annual meeting materials your household receives and help preserve our natural resources, you may want to take advantage of the Company's electronic access program. See Electronic Access to Proxy Materials and Annual Report; Internet Voting.

ELECTRONIC ACCESS TO CORPORATE GOVERNANCE DOCUMENTS

The Company also makes available on its Internet site at <http://www.raymondjames.com> under About Our Company Investor Relations Corporate Governance a number of the Company's corporate governance documents. These include: the Corporate Governance Principles, the charters of the Audit Committee and the Corporate Governance, Nominating and Compensation Committee of the Board of Directors, the Senior Financial Officers Code of Ethics and the Codes of Ethics for Employees and the Board of Directors. Printed copies of these documents will be furnished to any shareholder who requests them. The information on the Company's Internet site is not incorporated by reference into this proxy statement.

ELECTRONIC ACCESS TO PROXY MATERIALS AND ANNUAL REPORT; INTERNET VOTING

This notice of Annual Meeting and Proxy Statement and the 2008 Annual Report are available on the Company's Internet site. If you are a shareholder of record and would like to view future proxy statements and annual reports over the Internet instead of receiving copies in the mail, follow the instructions provided when you vote over the Internet. If you hold your shares through a bank, broker, or other holder, check the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports electronically in lieu of receiving copies and how to vote your shares over the Internet. Opting to access your proxy materials online saves the Company the cost of producing and mailing these materials to your home or office and gives you an automatic link to the proxy voting site.

Most shareholders of record have a choice of voting over the Internet, by telephone, or by using a traditional proxy card. Please check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.

SHAREHOLDERS ENTITLED TO VOTE AND PRINCIPAL SHAREHOLDERS

Shareholders of record at the close of business on December 24, 2008 will be entitled to notice of, and to vote at, the Annual Meeting. As of December 24, 2008, there were 121,557,661 shares of common stock outstanding and entitled to vote. Shareholders are entitled to one vote per share on all matters.

2

The following table sets forth, as of December 24, 2008, information regarding the beneficial ownership of the Company's common stock by each person known by the Company to own beneficially more than 5% of the shares of the Company's common stock, each director, the Company's Chief Executive Officer, Chief Financial Officer and the three other highest paid executive officers (those five executive officers are listed in the Summary Compensation Table and are collectively referred to as the **Named Executive Officers**), and all directors and executive officers as a group.

Name	Beneficially Owned Shares	Percent of Class
Earnest Partners LLC 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	8,806,415 (1)	7.24%
Private Capital Management, L.P. 8889 Pelican Bay Blvd., Suite 500 Naples, FL 34108	6,997,982 (2)	5.76%
	7,566,030	6.22%

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form DEF 14A

Name	Beneficially Owned Shares	Percent of Class
Robert A. James Trust 1201 Pacific Avenue, Suite 150 Tacoma, WA 98401		
Thomas A. James, Chairman, CEO, Director	14,823,063 (3) (4)	12.19%
Shelley G. Broader, Director	1,000	*
Francis S. Godbold, Vice Chairman, Director	480,145 (3)	*
H. William Habermeyer, Jr., Director	11,425 (5)	*
Chet Helck, President, COO, Director	269,510 (3) (6)	*
Jeffrey P. Julien, CFO	107,405 (3) (7)	*
Paul C. Reilly, Director	3,250 (8)	*
Richard K. Riess, Executive Vice President	110,170 (3) (9)	*
Robert P. Saltzman, Director	1,000	*
Van C. Sayler, Senior Vice President of RJA	158,362 (3) (10)	
Kenneth A. Shields, Director	56,070 (11)	*
Hardwick Simmons, Director	37,906 (12)	*
Susan N. Story, Director	1,000	*
All Executive Officers and Directors as a Group (24 persons)	17,204,151 (3) (13)	14.15%

* Less than one percent.

- (1) Based on information contained in Form 13F-HR filed with the Securities and Exchange Commission (SEC) on November 10, 2008. Earnest Partners LLC is the beneficial owner of these shares of common stock held in accounts managed for clients.
- (2) Based on information contained in Form 13F-HR filed with the SEC on November 14, 2008. Private Capital Management, L.P. is the beneficial owner of these shares of common stock held in accounts managed for clients.
- (3) Includes shares credited to Employee Stock Ownership Plan accounts.
- (4) Includes 315,893 shares owned by The Robert A. James and Helen W. James Annuity Trust, of which Thomas A. James is a remainder beneficiary and for which Raymond James Trust, a wholly owned subsidiary of the Company, serves as trustee. Excludes shares held by two trusts, of which he is not a beneficiary: 7,566,030 shares owned by the Robert A. James Trust and 161,360 shares owned by the James Grandchildren s Trust,

3

for both of which Raymond James Trust serves as trustee, and both of which have as beneficiaries other James family members. Thomas A. James disclaims any beneficial interest in these two trusts.

- (5) Includes 7,875 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008.
- (6) Includes 21,750 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008 and 206,262 shares of common stock held in a margin account.
- (7) Includes 21,750 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008 and 50,359 shares of common stock held in a margin account.
- (8) Includes 2,250 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008.

- (9) Includes 19,950 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008.
- (10) Includes 21,750 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008 and 58,719 shares of common stock held in a margin account.
- (11) Includes 9,000 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008 and 47,070 exchangeable shares that were issued January 2, 2001 in connection with the acquisition of Goepel McDermid, Inc. The exchangeable shares are exchangeable into shares of the Company's common stock on a one-for-one basis and are held in a margin account.
- (12) Includes 7,875 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008.
- (13) Includes 253,173 outstanding stock options that are exercisable as of or within 60 days from December 24, 2008 and 47,070 exchangeable shares that are exchangeable as of December 24, 2008. This number of beneficially owned shares also includes 730,687 shares of common stock and 47,070 exchangeable shares held in margin accounts.

PROPOSAL 1: ELECTION OF DIRECTORS

The Company's Board of Directors presently consists of six independent directors and four affiliated directors. All of the present members of the Board of Directors have been proposed for re-election by the Corporate Governance, Nominating and Compensation Committee of the Board of Directors.

The ten directors to be elected are to hold office until the Annual Meeting of Shareholders in 2010 and until their respective successors shall have been elected. All of the nominees were elected by the shareholders on February 14, 2008, to serve as directors of the Company until the Annual Meeting of Shareholders in 2009.

It is intended that proxies received will be voted to elect the nominees named below. Should any nominee decline or be unable to accept such nomination to serve as a director due to events which are not presently anticipated, discretionary authority may be exercised by the holder of the proxies to vote for a substitute nominee.

4

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE FOLLOWING NOMINEES:

Nominee	Age	Principal Occupation (1) and Directorships	Director Since
Shelley G. Broader*	44	President and Chief Operating Officer, Michaels Stores, Inc. since 2008. Former President and Chief Executive Officer, Kash n Karry Food Stores, Inc. (doing business as Sweetbay Supermarket) from 2006 to 2008. President and Chief Operating Officer, Kash n Karry Food Stores, Inc., 2003 to 2006. From 1991 to 2003, positions of increasing management responsibility at Hannaford Bros. Co., culminating in Senior Vice President, Business Strategy, Marketing and Communications. Prior financial service industry experience includes Massachusetts Financial Services Company and Assistant Vice President at First Albany Corporation. Trustee, St. Leo University. Member of the Audit Committee.	2008
Francis S. Godbold	65	Vice Chairman of Raymond James Financial, Inc. (RJF). Director and Officer of various affiliated entities.	1977
H. William Habermeyer, Jr.*	66	Director, Southern Company since 2007. Director, Biltmore Farms, LLC since 2007. Director USEC, Inc. since 2008. Former President and CEO, Progress Energy Florida from 2000 to 2006. Vice President, Carolina Power & Light from 1993 to 2000. U.S. Navy from 1964 to 1992 – retired a Rear Admiral. Member of the Audit Committee.	2003
Chet Helck	56	President and Chief Operating Officer of RJF since 2002. Executive Vice President of Raymond James Financial Services, Inc. (RJFS), a wholly owned subsidiary of the Company, from 1999 to 2002. Senior Vice President, RJFS from 1997 to 1999. Director	2003

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form DEF 14A

Nominee	Age	Principal Occupation (1) and Directorships	Director Since
Thomas A. James	66	of RJFS, Raymond James & Associates, Inc. (RJA) and Raymond James Ltd (RJ Ltd.), the Company's wholly owned Canadian subsidiary (formerly Goepel McDermid Inc., a Canadian brokerage firm). Director, Securities Industry and Financial Markets Association (formerly Securities Industry Association). Chairman of the Board and Chief Executive Officer of RJF. Director and Officer of various affiliated entities. Chairman of Florida Council of 100. Past Chairman of the Financial Services Roundtable and the Securities Industry and Financial Markets Association (formerly Securities Industry Association).	1963

5

Nominee	Age	Principal Occupation (1) and Directorships	Director Since
Paul C. Reilly*	54	Chairman, Korn Ferry International since 2001. Chairman and Chief Executive Officer, Korn Ferry International 2001 to 2007. Chief Executive Officer, KPMG International 1998 to 2001. Prior to being named to that position, Vice Chairman, Financial Services of KPMG LLP, the United States member firm of KPMG International. Chair of the Audit Committee.	2006
Robert P. Saltzman*	66	From 1994 to 2001, President and Chief Executive Officer of Jackson National Life Insurance Co. A Director of WNC First Corporation since November 2004, a property and casualty insurance underwriter. A Director and Audit Committee Chairman of Enhance Financial Services, a New York Stock Exchange (NYSE) listed company, from 1996 until its acquisition in March 2001. Life Trustee of Northwestern University. Chair of Corporate Governance, Nominating and Compensation Committee.	2007
Kenneth A. Shields	60	Chairman and Chief Executive Officer of Conifex, Inc., a Canadian forest products company, since 2007. Non-executive Chairman of RJ Ltd. since 2006. Chairman and Chief Executive Officer of RJ Ltd. and its predecessor company from 1996 to January 31, 2006. Past Chairman of the Investment Dealers Association of Canada. Lead Director and Deputy Chairman, Mercer International Inc.	2001
Hardwick Simmons*	68	Director, Geneva Acquisition Corp. since 2007. Director, Lions Gate Entertainment Corp. since 2005. Chairman and CEO of the NASDAQ Stock Market from 2001 to 2003. President and CEO of Prudential Securities from 1990 to 2001. President, Shearson Lehman Brothers Private Client Group, from 1983 to 1990. Past Chairman of the Securities Industry and Financial Markets Association (formerly Securities Industry Association). Past Director of the NASD. Lead Director and Member of Corporate Governance, Nominating and Compensation Committee.	2003

6

Nominee	Age	Principal Occupation (1) and Directorships	Director Since
Susan N. Story*	48	President and Chief Executive Officer, Gulf Power Company, since 2003. Executive Vice President, Southern Company Services, Inc., 2001 to 2003. Senior Vice President, Southern Power Company, 2002 to 2003. Chair, Florida Chamber of Commerce. Chairman of the Board, Gulf Power Company. Vice Chair, Florida Council of 100. Immediate past Vice Chair, Enterprise Florida. Director, Association of Edison Illuminating Companies, James Madison Institute, and Southeastern Electric Exchange. Member, Board of Advisors, H. Lee Moffitt Cancer Center & Research Institute. Member of Corporate Governance, Nominating and Compensation Committee.	2008

* Determined to be independent directors under NYSE standards; see Information Regarding Board and Committee Structure below.

(1) Unless otherwise noted, the nominee has had the same principal occupation and employment during the last five years.

INFORMATION REGARDING BOARD AND COMMITTEE STRUCTURE

The Board of Directors held four regular and two special telephonic meetings during fiscal 2008. All directors attended at least 75% of the meetings held during the fiscal year.

The current standing Committees of the Board of Directors are the Corporate Governance, Nominating and Compensation Committee and the Audit Committee. The Corporate Governance, Nominating and Compensation Committee met seven times during the fiscal year. All Committee members attended at least 75% of the meetings held during the fiscal year. The Audit Committee met nine times during the fiscal year. Each member of this Committee participated in at least 75% of the meetings held during the fiscal year. The activities of the Committees are set out in their reports below.

The Corporate Governance, Nominating and Compensation Committee is comprised of three independent directors as determined under NYSE rules. This Committee conducts its activities pursuant to a written charter approved by the Board of Directors, which is reviewed annually and was last revised by the Board of Directors on November 27, 2007. This Committee identifies potential nominees to the Board of Directors, including candidates recommended by management, and reviews their qualifications and experience. Candidates for board membership are expected to demonstrate high standards of integrity and character and offer important perspectives on some aspect of the Company's business based on their own business experience.

This Committee has not adopted any specific process or policy for considering nominees put forward by shareholders and has never been requested to consider such a nominee.

This Committee has also determined that the directors identified as independent directors have no material relationship with the Company that would impair their independence. In that connection, the Committee considered that the Company purchases its electric power needs for its headquarters from Progress Energy Florida, of which William Habermeyer, Jr. was President and CEO until June 1, 2006, and determined that the nature of this business relationship did not constitute any impairment of independence. It also considered that RJA purchases electricity

7

for its Panama City, Florida sales office from Gulf Power Company, of which Susan N. Story is President and CEO, and determined that the nature of this business relationship did not constitute any impairment of independence.

The Committee also considered that RJA paid Korn Ferry International, of which Paul C. Reilly is Chairman, recruiting fees of approximately \$4,200 during fiscal 2008 and determined that these fees did not result in any impairment of his independence. In connection with the solicitation of proxies for the Company's 2006 Annual Meeting of Shareholders, Institutional Shareholders Services (ISS) considered Mr. Reilly an affiliated outside director because Korn Ferry provided executive recruiting services to the Company for which it was paid \$218,000. ISS recommended withholding votes not only for Mr. Reilly, but for all inside directors as well, due to his affiliated designation. ISS categorizes executive recruiting as a professional service similar to accounting or legal services. At that time, the ISS position on that relationship was absolute, lacking any *de minimis* threshold, unlike the NYSE's independence requirements.

Since 2007, ISS has applied a \$10,000 *de minimis* threshold. During fiscal 2008, RJA paid Korn Ferry approximately \$4,200 in connection with one recruiting engagement, which did not involve an executive officer of the Company. The amount paid to Korn Ferry represented 0.0005% of its fiscal 2008 fee revenue of \$790.6 million. Under the NYSE rules, the Company's Board of Directors determined that the Korn Ferry engagements did not constitute a material relationship since the dollar amount paid to Korn Ferry did not exceed the greater of \$1,000,000 or two percent of Korn Ferry's revenues during the past three years. The Company believes that ISS's historic position with respect to Korn Ferry and Mr. Reilly's relationship with the Company remains unduly restrictive and inappropriate, because it eliminates the exercise of business judgment on the part of the Company's Board with respect to Mr. Reilly's independence.

Mr. Hardwick Simmons is the Company's Lead Director. As such, he presides at the regular executive sessions of the independent directors. Shareholders and other interested parties may communicate with Company directors, including Mr. Simmons, or any of the individual independent directors, by writing to them at the Company's headquarters, or by contact through the Company's website. Communications addressed to the Board of Directors will be reviewed by the Corporate Secretary of the Company and directed to them for their consideration, if appropriate.

It is the Company's policy that directors attend the Annual Meeting of Shareholders; at the Annual Meeting of Shareholders on February 14, 2008, all of the Company's directors at that date were present.

DIRECTOR COMPENSATION

Independent directors receive a \$25,000 annual retainer, a \$5,000 attendance fee for each regular meeting, \$500 for each telephonic meeting and a \$1,000 attendance fee for Committee service. The Lead Director and the Audit Committee Chair each receive an additional \$7,500 as part of their annual retainer, and the Chair of the Corporate Governance, Nominating and Compensation Committee receives an additional \$4,000 as part of his annual retainer. Management directors do not receive any additional compensation for service as directors.

There is a non-qualified stock option plan for the Company's outside directors covering 854,298 shares of the Company's common stock. These options, 69,375 of which were outstanding at September 30, 2008, are exercisable at prices ranging from \$17.07 to \$31.82 at various times through February 2013. Outside directors are currently granted 2,500 options each per year.

8

The table below sets forth the total compensation, and the components thereof, of the Company's directors who are not Named Executive Officers of the Company.

DIRECTOR COMPENSATION FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

Name	Fees Paid in Cash	Stock Awards	Option Awards (1)	Change In Pension Value and Non-Equity Incentive Plan Compensation			All Other Compensation	Total
				Nonqualified Deferred Compensation	Earnings			
Angela M. Biever (2)	\$ 30,250		\$ 10,936					\$ 41,186
Shelley G. Broader (3)	\$ 38,250		\$ 3,275					\$ 41,525
Francis S. Godbold (4)							—	