RAYMOND JAMES FINANCIAL INC
Form 10-Q
May 12, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

or

o 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	No. 59-1517485
(State or other jurisdiction of incorporation or organization)	(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 x No o

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 o No x

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 x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

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

122,816,357 shares of Common Stock as of May 6, 2009

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter Ended March 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)

	March 31, 2009	September 30, 2008
	(in 000's)	
Assets		
Cash and Cash Equivalents	$ 317,192	$ 3,207,493
Assets Segregated Pursuant to Regulations and Other Segregated Assets	5,076,914	4,311,933
Securities Purchased under Agreements to Resell and Other Collateralized Financings	1,005,305	950,546
Financial Instruments, at Fair Value:		
Trading Instruments	319,556	314,008
Available for Sale Securities	538,442	577,933
Private Equity and Other Investments	178,639	209,915
Receivables:		
Brokerage Clients, Net	1,264,582	1,850,464
Stock Borrowed	497,834	675,080
Bank Loans, Net	7,549,950	7,095,227
Broker-Dealers and Clearing Organizations	34,134	186,841
Other	421,502	344,594
Investments in Real Estate Partnerships - Held by Variable Interest Entities	268,072	239,714
Property and Equipment, Net	189,185	192,450
Deferred Income Taxes, Net	143,538	108,765
Deposits With Clearing Organizations	88,101	94,242
Goodwill	62,575	62,575
Prepaid Expenses and Other Assets	162,024	287,836
	$ 18,117,545	$ 20,709,616
Liabilities And Shareholders' Equity		
Loans Payable	$ 230,557	$ 2,212,224
Loans Payable Related to Investments by Variable Interest Entities in Real Estate Partnerships	95,972	102,564
Payables:		
Brokerage Clients	6,213,929	5,789,952
Stock Loaned	518,597	695,739
Bank Deposits	8,369,092	8,774,457
Broker-Dealers and Clearing Organizations	101,542	266,272
Trade and Other	171,915	154,915
	77,148	123,756

Trading Instruments Sold but Not Yet Purchased, at Fair Value		
Securities Sold Under Agreements to Repurchase	2,951	122,728
Accrued Compensation, Commissions and Benefits	236,735	345,782
	16,018,438	18,588,389
Minority Interests	202,778	237,322
Shareholders' 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 126,282,831 at March 31, 2009 and 124,078,129 at September 30, 2008	1,220	1,202
Shares Exchangeable into Common Stock; 249,168 at March 31, 2009 and 273,042 at September 30, 2008	3,198	3,504
Additional Paid-In Capital	392,552	355,274
Retained Earnings	1,679,633	1,639,662
Accumulated Other Comprehensive Income	(95,039)	(33,976)
	1,981,564	1,965,666
Less: 3,996,713 and 3,825,619 Common Shares in Treasury, at Cost	(85,235)	(81,761)
	1,896,329	1,883,905
	$ 18,117,545	$ 20,709,616

See accompanying Notes to Condensed Consolidated Financial Statements.

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		Six Months Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Revenues:				
Securities Commissions and Fees	$ 369,705	$ 481,497	$ 787,930	$ 954,102
Investment Banking	18,001	27,232	38,734	51,087
Investment Advisory Fees	38,961	53,319	83,396	109,924
Interest	108,073	191,314	251,685	404,264
Net Trading Profits	12,766	(6,946)	21,941	(5,844)
Financial Service Fees	30,805	32,763	63,940	65,738
Other	18,100	27,955	44,618	57,054
Total Revenues	596,411	807,134	1,292,244	1,636,325
Interest Expense	6,744	115,447	38,635	258,811
Net Revenues	589,667	691,687	1,253,609	1,377,514
Non-Interest Expenses:				
Compensation, Commissions and Benefits	391,902	473,306	811,156	943,910
Communications and Information Processing	29,956	31,230	65,179	62,241
Occupancy and Equipment Costs	24,945	24,101	51,380	45,498
Clearance and Floor Brokerage	7,464	7,093	16,052	15,679
Business Development	18,817	21,744	43,541	45,603
Investment Advisory Fees	7,222	12,563	16,944	25,493
Bank Loan Loss Provision	74,979	11,113	99,849	23,933
Other	28,156	15,943	46,625	29,261
Total Non-Interest Expenses	583,441	597,093	1,150,726	1,191,618
Minority Interest in (Losses) Earnings of Subsidiaries	(6,692)	(3,224)	(11,699)	(2,679)
Income Before Provision for Income Taxes	12,918	97,818	114,582	188,575
Provision for Income Taxes	6,825	38,028	47,396	72,543
Net Income	$ 6,093	$ 59,790	$ 67,186	$ 116,032
Net Income per Share-Basic	$ 0.05	$ 0.51	$ 0.57	$ 0.99
Net Income per Share-Diluted	$ 0.05	$ 0.50	$ 0.57	$ 0.97
Weighted Average Common Shares Outstanding-Basic	117,391	117,312	116,947	117,078
Weighted Average Common and Common				

Equivalent Shares Outstanding-Diluted	118,580	119,520	118,195	119,817
Dividends Paid per Common Share	$ 0.11	$ 0.11	$ 0. 22	$ 0. 22
Net Income	$ 6,093	$ 59,790	$ 67,186	$ 116,032
Other Comprehensive Income:				
Change in Unrealized Gain/(Loss) on Available for Sale Securities, Net of Tax	16,732	(34,324)	(36,555)	(37,217)
Change in Currency Translations	(4,598)	(6,443)	(24,408)	(4,377)
Total Comprehensive (Loss) Income	$ 18,227	$ 19,023	$ 6,223	$ 74,438
Other-Than-Temporary Impairment:				
Total Other-Than-Temporary Impairment Losses	$ (10,954)	$ -	$ (11,525)	$ -
Portion of Losses Recognized in Other Comprehensive Income (Before Taxes)	4,789	-	4,789	-
Net Impairment Losses Recognized in Other Revenue	$ (6,165)	$ -	$ (6,736)	$ -

See accompanying Notes to Condensed Consolidated Financial Statements.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in 000's)
(continued on next page)

	Six Months Ended	
	March 31, 2009	March 31, 2008
Cash Flows From Operating Activities:		
Net Income	$ 67,186	$ 116,032
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	16,566	13,165
Excess Tax Benefits from Stock-Based Payment Arrangements	(2,874)	(392)
Deferred Income Taxes	(13,509)	(643)
Premium and Discount Amortization on Available for Sale Securities and Unrealized/Realized Gain on Other Investments	(509)	(280)
Other-than-Temporary Impairment on Available for Sale Securities	6,736	-
Impairment of and Loss on Sale of Property and Equipment	7,269	37
Gain on Sale of Loans Available for Sale	(158)	(232)
Provision for Loan Loss, Legal Proceedings, Bad Debts and Other Accruals	109,218	26,897
Stock-Based Compensation Expense	12,358	15,854
Loss on Company-Owned Life Insurance	14,979	7,592
(Increase) Decrease in Operating Assets:		
Assets Segregated Pursuant to Regulations and Other Segregated Assets	(764,981)	(555,519)
Receivables:		
Brokerage Clients, Net	584,491	(6,540)
Stock Borrowed	177,246	551,220
Broker-Dealers and Clearing Organizations	152,707	64,331
Other	(77,832)	(13,497)
Securities Purchased Under Agreements to Resell and Other Collateralized Financings, Net of Securities Sold Under Agreements to Repurchase	(129,536)	(80,569)
Trading Instruments, Net	(52,156)	89,620
Proceeds from Sale of Loans Available for Sale	12,632	19,843
Origination of Loans Available for Sale	(14,282)	(19,865)
Prepaid Expenses and Other Assets	101,067	(50,500)
Minority Interest	(11,699)	(2,679)
Increase (Decrease) in Operating Liabilities:		

Payables:		
Brokerage Clients	423,977	467,046
Stock Loaned	(177,142)	(533,309)
Broker-Dealers and Clearing Organizations	(164,730)	67,683
Trade and Other	3,514	5,215
Accrued Compensation, Commissions and Benefits	(108,412)	(98,403)
Income Taxes Payable	-	(13,683)
Net Cash Provided by Operating Activities	172,126	68,424

See accompanying Notes to Condensed Consolidated Financial Statements.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in 000's)
(continued)

	Six Months Ended	
	March 31, 2009	March 31, 2008
Cash Flows from Investing Activities:		
Additions to Property and Equipment, Net	(23,110)	(19,659)
Bank Loan Originations and Purchases	(1,758,135)	(3,020,829)
Bank Loan Repayments and Increase in Unearned Fees, net	1,185,425	1,231,698
Purchases of Private Equity and Other Investments, Net	2,123	(22,574)
Investments in Company-Owned Life Insurance	(10,355)	(47,818)
Investments in Real Estate Partnerships-Held by Variable Interest Entities	(28,358)	(10,398)
Repayments of Loans by Investor Members of Variable Interest Entities Related to Investments in Real Estate Partnerships	1,391	4,436
Securities Purchased Under Agreements to Resell, Net	(45,000)	(115,000)
Purchases of Available for Sale Securities	(82,516)	(189,565)
Available for Sale Securities Maturations and Repayments	57,385	45,626
Net Cash Used in Investing Activities	(701,150)	(2,144,083)
Cash Flows from Financing Activities:		
Proceeds from Borrowed Funds, Net	-	206,904
Repayments of Borrowings, Net	(1,981,667)	(1,119)
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	2,539	2,890
Repayments of Borrowed Funds Related to Investments by Variable Interest Entities in Real Estate Partnerships	(9,131)	(9,378)
Proceeds from Capital Contributed to Variable Interest Entities Related to Investments in Real Estate Partnerships	13,411	16,156
Minority Interest	1,441	(8,861)
Exercise of Stock Options and Employee Stock Purchases	20,925	21,810
(Decrease) Increase in Bank Deposits	(405,365)	2,127,036
Purchase of Treasury Stock	(6,571)	(67,243)
Dividends on Common Stock	(26,878)	(26,992)

Excess Tax Benefits from Stock-Based Payment Arrangements	2,874	392
Net Cash (Used in) Provided by Financing Activities	(2,350,302)	2,261,595
Currency Adjustment:		
Effect of Exchange Rate Changes on Cash	(4,758)	(4,377)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,884,084)	181,559
Cash Reduced by Deconsolidation of Certain Internally Sponsored Private Equity Limited Partnerships	(6,217)	-
Cash and Cash Equivalents at Beginning of Year	3,207,493	644,943
Cash and Cash Equivalents at End of Period	$ 317,192	$ 826,502
Supplemental Disclosures of Cash Flow Information:		
Cash Paid for Interest	$ 40,193	$ 262,908
Cash Paid for Income Taxes	$ 82,810	$ 88,065

See accompanying Notes to Condensed Consolidated Financial Statements.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 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 term “the Company” refers to RJF and/or one or more of its subsidiaries. In accordance with Financial Accounting Standards Board (“FASB”) Interpretation (“FIN”) No. 46R, “Consolidation of Variable Interest Entities” (“FIN 46R”), the Company also consolidates any variable interest entities (“VIEs”) for which it is the primary beneficiary. Additional information is provided in Note 7 below. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity, the Company applies the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

During the three months ended March 31, 2009, the Company relinquished control over the general partner of certain internally sponsored private equity limited partnerships. As a result, the Company deconsolidated seven entities during the three months ended March 31, 2009, which had assets of approximately $47.6 million.

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. The nature of the Company's 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 the Company's Annual Report on Form 10-K for the year ended September 30, 2008. To prepare consolidated financial statements in conformity with GAAP, management must estimate certain amounts that affect the reported assets and liabilities, disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Certain revisions and reclassifications have been made to the unaudited condensed consolidated financial statements of the prior period to conform to the current period presentation. During the quarter ended December 31, 2008, the Company reclassified cash collateral related to interest rate swap contracts in accordance with FASB Staff Position (“FSP”) FIN No. 39-1, “Amendment of FASB Interpretation No. 39” (“FSP FIN No. 39-1”). See Note 2 below for further discussion of the Company’s adoption of this accounting pronouncement. The Condensed Consolidated Statements of Financial Condition were adjusted for the period ended September 30, 2008, which resulted in reclassifications between Broker-Dealers and Clearing Organizations Receivables and Payables, Trading Instruments, and Trading Instruments Sold but Not Yet Purchased, netting to a $22.2 million adjustment between total assets and total liabilities. This reclassification had an immaterial impact to the Condensed Consolidated Statements of Cash Flows for the six months ended, March 31, 2008. In the quarter ended December 31, 2008, a new intersegment component to the Company’s segment reporting was added to reflect total gross revenues by segment with the elimination of intersegment transactions in this new segment. In addition, the methodology for allocating the Company’s corporate bonus pool expense to individual segments was changed. Reclassifications have been made in the segment disclosure for the six months ended March 31, 2008 to conform to this presentation. Additional information is provided in Note 18 below. In the quarter ended December 31, 2008, the Condensed Consolidated Statements of Financial Condition were adjusted to reflect the reclassification of certain other investments from Prepaid Expenses and Other Assets to Other Investments. This reclassification included the Company’s private equity investments and other miscellaneous investments recorded at fair value and totaled $157.2 million at September 30, 2008. The Condensed Consolidated Statements of Cash Flows for the six months ended, March 31, 2008 were adjusted for this reclassification, which resulted in a net increase of $25.3 million in cash flows provided by operating activities with the offset to cash flows used in investing activities. In addition, for the six months ended, March 31, 2008 the Condensed Consolidated Statements of Cash Flows were adjusted for a $47.8 million reclassification of investments in company-owned life insurance from an operating activity to an investing activity.

The Company’s quarters end on the last day of each calendar quarter.

NOTE 2 – EFFECTS OF RECENTLY ISSUED ACCOUNTING STANDARDS:

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. The Company adopted SFAS 157 on October 1, 2008. See Note 3 below for the additional disclosure requirements of this pronouncement and for information regarding the impact the adoption of SFAS 157 had on the financial position and operating results of the Company.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 159 allows companies to elect to follow fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. SFAS 159 is applicable only to certain financial instruments and was effective for the Company on October 1, 2008. The Company elected not to adopt the fair value option for any other financial assets and liabilities as permitted by SFAS 159. See Note 3 below for further discussion of the impact the provisions of this pronouncement had on the Company’s consolidated financial statements.

In April 2007, the FASB issued FSP FIN No. 39-1. FSP FIN No. 39-1 defines "right of setoff" and specifies what conditions must be met for a derivative contract to qualify for this right of setoff. FSP FIN No. 39-1 also addresses the applicability of a right of setoff to derivative instruments and clarifies the circumstances in which it is appropriate to offset amounts recognized for those instruments in the statement of financial position. In addition, this FSP permits offsetting of fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a master netting arrangement and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from the same master netting arrangement as the derivative instruments. This interpretation was adopted by the Company on October 1, 2008. See Note 10 below for information regarding the impact the adoption of FSP FIN No. 39-1 had on the Company’s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations” (“SFAS 141R”). SFAS 141R provides new guidance on accounting for business combinations which includes the fundamental principle of recording the acquired business at fair value. In addition, this statement requires extensive disclosures about the acquisition’s quantitative and qualitative effects including validation of the fair value of goodwill. This statement is effective for all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (October 1, 2009 for the Company). Earlier application is prohibited.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (“SFAS 160”). SFAS 160 requires noncontrolling interests to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. This statement is applicable to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements and is effective for fiscal years beginning on or after December 15, 2008 (October 1, 2009 for the Company). The Company is currently evaluating the impact the adoption of SFAS 160 will have on its consolidated financial statements.

In February 2008, the FASB issued FSP SFAS No. 157-2, “Effective Date of FASB Statement No. 157” (“FSP SFAS No. 157-2”). FSP SFAS No. 157-2 delays the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities that are not remeasured at fair value on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008 (October 1, 2009 for the Company), and interim periods within those fiscal years. The Company does not expect the adoption of FSP SFAS No. 157-2 will have a material impact on its consolidated financial statements.

In October 2008, the FASB issued FSP SFAS No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active” (“FSP SFAS No. 157-3”). FSP SFAS No. 157-3 clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The Company adopted FSP SFAS No 157-3 on October 1, 2008. See Note 3 below for information regarding the impact the adoption of this interpretation had on the Company’s consolidated financial statements.

In February 2008, the FASB issued FSP SFAS No. 140-3, “Accounting for Transfers of Financial Assets and Repurchase Financing Transactions” (“FSP SFAS No. 140-3”). FSP SFAS No. 140-3 addresses the issue of whether these transactions should be viewed as two separate transactions or as one "linked" transaction. The FSP includes a "rebuttable presumption" that presumes linkage of the two transactions unless the presumption can be overcome by meeting certain criteria. The FSP will be effective for fiscal years beginning after November 15, 2008 (October 1, 2009 for the Company) and will apply only to original transfers made after that date; early adoption will not be allowed. The Company is currently evaluating the impact the adoption of FSP SFAS No. 140-3 will have on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). SFAS 161 requires companies to expand its disclosures regarding derivative instruments and hedging activities to include how and why an entity is using a derivative instrument or hedging activity, an explanation of its accounting under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), and how this instrument affects the entity’s financial position and performance as well as cash flows. SFAS 161 also clarifies that derivative instruments are subject to concentration-of-credit-risk disclosures which amends SFAS No.107, “Disclosures about Fair Value of Financial Instruments”. The Company adopted SFAS 161 for the quarter ended March 31, 2009. See Note 10 below for information regarding the impact the adoption of SFAS 161 had on the Company’s consolidated financial statements.

In June 2008, the FASB issued FSP Emerging Issues Task Force (“EITF”) No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF 03-6-1”). FSP EITF 03-6-1 requires unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents to be treated as participating securities as defined in EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128," and, therefore, included in the earnings allocation in computing earnings per share under the two-class method described in FASB Statement No. 128, “Earnings per Share”. This FSP is effective for fiscal years beginning after December 15, 2008 (October 1, 2009 for the Company), and interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of FSP EITF 03-6-1 will have on its consolidated financial statements.

In December 2008, the FASB issued FSP SFAS No. 140-4 and FIN 46R-8, “Disclosures about Transfers of Financial Assets and Interest in Variable Interest Entities”. FSP SFAS No. 140-4 and FIN 46R-8 require companies to provide additional disclosures about transfers of financial assets and their involvement with VIEs in addition to certain disclosures which apply to companies acting as the transferor, sponsor, servicer, primary beneficiary, or qualifying special purpose entity. These disclosures are intended to provide greater transparency to financial statement users regarding a company’s involvement with transferred financial assets and VIEs. The Company adopted this interpretation effective October 1, 2008. See Note 7 below for the required disclosures under FSP SFAS No. 140-4 and FIN 46R-8.

In January 2009, the FASB issued FSP EITF No. 99-20-1, “Amendments to the Impairment Guidance of EITF Issue No. 99-20” (“FSP EITF No. 99-20-1”). FSP EITF No. 99-20-1 amends the impairment guidance in EITF No. 99-20, “Recognition of Interest Income and Impairment on Purchased Beneficial Interest That Continue to be Held by a Transferor in Securitized Financial Assets,” to achieve more consistent determination of whether an other-than-temporary impairment (“OTTI”) has occurred. In addition, this interpretation retains and emphasizes the objective of an OTTI assessment and the related disclosure requirements in SFAS No. 115 “Accounting for Certain Investments in Debt and Equity Securities”. The Company adopted this interpretation effective October 1, 2008. See Note 5 below for the impact the adoption of FSP EITF No. 99-20-1 had on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP SFAS No. 141R-1, “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies” (“FSP SFAS No. 141R-1”). FSP SFAS No. 141R-1 amends the provisions in SFAS 141R for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. This FSP eliminates the distinction between contractual and noncontractual contingencies, including the initial recognition and measurement criteria in SFAS 141R. FSP SFAS No. 141R-1 is effective for all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (October 1, 2009 for the Company). Earlier application is prohibited.

In April 2009, the FASB issued FSP SFAS No.157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP SFAS No. 157-4”). FSP SFAS No. 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP SFAS No. 157-4 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique used, the objective of a fair value measurement remains the same. Fair value is still the price that would be received to sell the asset in an orderly transaction between market participants as of the measurement date under current market conditions. Although this FSP is effective for the Company on April 1, 2009, the Company adopted FSP SFAS No. 157-4 on January 1, 2009 as early adoption is permitted. See Note 3 below for the impact the adoption of FSP SFAS No. 157-4 had on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP SFAS No. 115-2 and SFAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP SFAS No. 115-2 and SFAS 124-2”). FSP SFAS No. 115-2 and SFAS 124-2 amends the other-than-temporary impairment guidance for debt securities classified as available-for-sale and held-to-maturity to shift the focus from an entity’s intent to hold until recovery to its intent or requirement to sell. This guidance is to be applied to previously other-than-temporarily impaired debt securities existing as of the effective date by making a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The cumulative-effect adjustment, if material, would reclassify the non-credit portion of a previously other-than-temporarily impaired debt security held as of the date of initial adoption from retained earnings to accumulated other comprehensive income. In addition, this interpretation includes expanded presentation and disclosure requirements. Although this FSP is effective for the Company on April 1, 2009, the Company adopted FSP SFAS No. 115-2 and SFAS 124-2 on January 1, 2009 as early adoption is permitted. See Note 5 below for the impact the adoption of FSP SFAS No. 115-2 and SFAS 124-2 had on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP SFAS No. 107-1 and APB 28-1”). FSP SFAS No. 107-1 and APB 28-1 expands the fair value disclosures required for all financial instruments within the scope of SFAS 107 to interim reporting periods. This FSP also amends APB Opinion No. 28, “Interim Financial Reporting” to require those disclosures in summarized financial information at interim reporting periods. This interpretation is effective for interim reporting periods ending after June 15, 2009 (April 1, 2009 for the Company).

NOTE 3 - FAIR VALUE:

The Company adopted SFAS 157 and FSP SFAS No. 157-3 on October 1, 2008. The adoption of these pronouncements did not have any impact on the financial position or operating results of the Company. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments and assets and liabilities recognized at fair value in the financial statements on a recurring basis in accordance with SFAS 157. FSP SFAS No. 157-2 delays the effective date of SFAS 157 (until October 1, 2009 for the Company) for nonfinancial assets and nonfinancial liabilities, except for items recognized or disclosed at fair value on a recurring basis. As such, the Company has not applied SFAS 157 to the impairment tests or assessments under SFAS No. 142, “Goodwill and Other Intangible Assets (“SFAS 142”), real estate owned and nonfinancial long-lived assets measured at fair value for an impairment assessment under SFAS No.144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”).

In April 2009, the FASB issued FSP SFAS No. 157-4. See Note 2 above for additional information. Although this FSP is effective for the Company on April 1, 2009, the Company elected to early adopt FSP SFAS No. 157-4 on January 1, 2009. As a result, the Company changed the valuation technique used for certain available for sale securities and redefined its major security types used in its trading instruments disclosure by separating mortgage backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”) from corporate obligations and agency securities. See below for additional information.

In determining fair value, the Company uses various valuation approaches, including market, income and/or cost approaches. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, the Company’s own assumptions reflect those that market participants would use in pricing the asset or liability at the measurement date. The standard describes the following three levels used to classify fair value measurements:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2— Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

SFAS 157 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The availability of observable inputs can vary from instrument to instrument and in certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement of an instrument requires judgment and consideration of factors specific to the instrument.

Valuation Techniques

The fair value for certain financial instruments is derived using pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments. Financial instruments for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than financial instruments that are thinly traded or not quoted. In accordance with SFAS 157, the criteria used to determine whether the market for a financial instrument is active or inactive is based on the particular asset or liability. For equity securities, the Company's definition of actively traded was based on average daily volume and other market trading statistics. The Company considered the market for other types of financial instruments, including certain non-U.S. agency government securities and certain collateralized debt obligations, to be inactive as of March 31, 2009. As a result, the valuation of these financial instruments included significant management judgment in determining the relevance and reliability of market information available. The Company considered the inactivity of the market to be evidenced by several factors, including decreased price transparency caused by decreased volume of trades relative to historical levels, stale transaction prices and transaction prices that varied significantly either over time or among market makers.

Cash Equivalents

Cash equivalents consist of investments in money market mutual funds. Such instruments are classified within Level 1 of the fair value hierarchy.

Trading Instruments and Trading Instruments Sold but Not Yet Purchased

Trading Securities

Trading securities are comprised primarily of the financial instruments held by the Company's broker-dealer subsidiaries (see Note 4 to the Condensed Consolidated Financial Statements for more information). When available, the Company uses quoted prices in active markets to determine the fair value of securities. Such instruments are classified within Level 1 of the fair value hierarchy. Examples include exchange traded equity securities and liquid government debt securities.

When instruments are traded in secondary markets and quoted market prices do not exist for such securities, the Company employs valuation techniques, including matrix pricing to estimate fair value. Matrix pricing generally utilizes spread-based models periodically re-calibrated to observable inputs such as market trades or to dealer price bids in similar securities in order to derive the fair value of the instruments. Valuation techniques may also rely on other observable inputs such as yield curves, interest rates and expected principal repayments, and default probabilities. Instruments valued using these inputs are typically classified within Level 2 of the fair value hierarchy. Examples include certain municipal debt securities, corporate debt securities, agency mortgage backed securities, and restricted equity securities in public companies. Management utilizes prices from independent services to corroborate its estimate of fair value. Depending upon the type of security, the pricing service may provide a listed price, a matrix price, or use other methods including broker-dealer price quotations.

Positions in illiquid securities that do not have readily determinable fair values require significant management judgment or estimation. For these securities the Company uses pricing models, discounted cash flow methodologies, or similar techniques. Assumptions utilized by these techniques include estimates of future delinquencies, loss severities, defaults and prepayments. Securities valued using these techniques are classified within Level 3 of the fair value hierarchy. Examples include certain municipal debt securities, certain CMOs, certain asset backed securities ("ABS") and equity securities in private companies. For certain collateralized mortgage obligations, where there has been limited activity or less transparency around significant inputs to the valuation, such as assumptions regarding performance of the underlying mortgages, securities are currently classified as Level 3 even though the Company believes that Level 2 inputs could likely be obtainable should markets for these securities become more active in the future.

Derivative Contracts

The Company enters into interest rate swaps and futures contracts as part of its fixed income business to facilitate customer transactions and to hedge a portion of the Company's trading inventory. In addition, to mitigate interest rate risk should there be a significantly rising rate environment, Raymond James Bank ("RJBank") purchases interest rate caps. See Note 10 of the Notes to the Condensed Consolidated Financial Statements for more information. Fair values for derivative contracts are obtained from counterparties, pricing models that consider current market trading levels and the contractual prices for the underlying financial instruments, as well as time value and yield curve or other volatility factors underlying the positions. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivative contracts are typically classified within Level 2 of the fair value hierarchy.

Available for Sale Securities

Available for sale securities are comprised primarily of CMOs and other residential mortgage related debt securities. Debt and equity securities classified as available for sale are reported at fair value with unrealized gains and losses, net of deferred taxes, reported in shareholders' equity as a component of accumulated other comprehensive income. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information. The fair value of available for sale securities is determined by obtaining third party bid quotations based upon observable data including benchmark yields, reported trades, other broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, other bids, offers, new issue data, monthly payment information, collateral performance, and reference data including market research publications. Changes to fair value are recognized in Other Comprehensive Income. See Note 5 of the Notes to Condensed Consolidated Financial Statements for information regarding other–than-temporary impairment. Upon adopting FSP SFAS No. 157-4, the Company changed the valuation technique used for certain non-agency CMOs as a result of the significant decrease in the volume and level of activity for these securities. The Company utilizes a discounted cash flow analysis to determine which fair value indicator previously mentioned is most representative of fair value under the current market conditions. This change resulted in an increase in the fair value of certain non-agency CMOs of approximately $18.6 million as compared to the previous methodology. This change in fair value represents approximately 8% of the total fair value of all non-agency CMOs. Securities measured using these valuation techniques are generally classified within Level 2 of the fair value hierarchy.

If these sources are not available, are deemed unreliable, or when an active market does not exist, then the fair value is estimated using pricing models or discounted cash flow analyses, using observable market data where available as well as unobservable inputs provided by management. The assumptions utilized by these valuation techniques include the Company's best estimate of future delinquencies, loss severities, defaults and prepayments. Securities valued using these valuation techniques are classified within Level 3 of the fair value hierarchy.

Private Equity Investments

Private equity investments, held primarily by the Company's Proprietary Capital segment, consist of various direct and third party private equity and merchant banking investments. The valuation of these investments requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of these assets. Direct private equity investments are valued initially at the transaction price until significant transactions or developments indicate that a change in the carrying values of these investments is appropriate. Generally, the carrying values of these investments will be adjusted based on financial performance, investment-specific events, financing and sales transactions with third parties and changes in market outlook. Investments in funds structured as limited partnerships are generally valued based on the financial statements of the partnerships which commonly use similar methodologies. Investments valued using these valuation techniques are classified within Level 3 of the fair value hierarchy.

Other Investments

Other investments consist predominantly of Canadian government bonds. The fair value of these bonds is estimated using recent external market transactions. Such bonds are classified within Level 1 of the fair value hierarchy.

Recurring Fair Value Measurements

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

March 31, 2009 (in 000's)	Level 1	Level 2	Level 3	FIN 39 Netting (1)	Total
Assets:					
Cash Equivalents	$ 15,101	$ -	$ -	$ -	$ 15,101
Trading Instruments:					
Provincial and Municipal Obligations	698	49,942	7,962	-	58,602
Corporate Obligations	6,929	8,638	3,834	-	19,401
Government Obligations	19,312	-	-	-	19,312
Agency MBS and CMOs	-	53,376	-	-	53,376
Non-Agency CMOs and ABS	-	-	15,484	-	15,484
Total Debt Securities	26,939	111,956	27,280	-	166,175
Derivative Contracts	-	232,166	-	(147,890)	84,276
Equity Securities	63,476	751	-	-	64,227
Other Securities	217	4,661	-	-	4,878
Total Trading Instruments	90,632	349,534	27,280	(147,890)	319,556
Available for Sale Securities:					
Agency MBS and CMOs	-	305,386	-	-	305,386
Non-Agency CMOs	-	222,722	5,323	-	228,045
Other Securities	3	5,008	-	-	5,011
Total Available for Sale Securities	3	533,116	5,323	-	538,442
Private Equity and Other Investments:					
Private Equity Investments	-	-	130,902	-	130,902
Other Investments	41,860	5,656	221	-	47,737
Total Private Equity and Other Investments	41,860	5,656	131,123	-	178,639
Other Assets	-	41	-	-	41
Total	$ 147,596	$ 888,347	$ 163,726	$ (147,890)	$ 1,051,779
Liabilities:					
Trading Instruments Sold but Not Yet Purchased:					

Provincial and Municipal Obligations	$ -	$ 547	$ -	$ -	$ 547
Corporate Obligations	44	366	-	-	410
Government Obligations	15,170	-	-	-	15,170
Agency MBS and CMOs	741	-	-	-	741
Total Debt Securities	15,955	913	-	-	16,868
Derivative Contracts	-	211,382	-	(161,141)	50,241
Equity Securities	10,016	4	-	-	10,020
Other Securities	9	10	-	-	19
Total Trading Instruments Sold but Not Yet Purchased	25,980	212,309	-	(161,141)	77,148
Other Liabilities	-	-	253	-	253
Total	$ 25,980	$ 212,309	$ 253	$ (161,141)	$ 77,401

(1) As permitted under FSP FIN No. 39-1, the Company has elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

Level 3 Items Measured at Fair Value on a Recurring Basis

Assets and liabilities are considered Level 3 instruments when their value is determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 instruments also include those for which the determination of fair value requires significant management judgment or estimation. As of March 31, 2009, 5.81% and 0.48% of the Company's total assets and total 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 March 31, 2009 represented 0.90% of the Company's total assets.

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 and six months ended March 31, 2009:

	Level 3 Financial Assets at Fair Value						Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at
Three Months Ended March 31, 2009 (in 000's)	Fair Value, December 31, 2008	Total Realized /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers In and/ or Out of Level 3	Fair Value, March 31, 2009	March 31, 2009
Assets:							
Trading Instruments:							
Provincial and Municipal Obligations	$ 8,028	$ (66)	$ -	$ -	$ -	$ 7,962	$ (66)
Corporate Obligations	1,114	-	-	(1,114)	3,834[1]	3,834	-
Non-Agency CMOs and ABS	17,446	(1,617)	-	(345)	-	15,484	(1,863)
Available for Sale Securities:							

Non-Agency CMOs	7,434	(5,396)	3,304	(19)	-	5,323	(5,396)
Private Equity and Other Investments:							
Private Equity Investments	157,176	(45)	-	(26,229)2	-	130,902	-
Other Investments	714	99	-	(592)	-	221	-
Liabilities:							
Other Liabilities	$ 267	$ 14	$ -	$ -	$ -	$ 253	$ (20)

1) The level classification transfer of a corporate obligation was driven by changes in the price transparency for the security. This classification transfer occurred as of the end of the reporting period.
2) Excluding the impact of the deconsolidation of certain internally sponsored private equity limited partnerships, the purchases of private equity investments net of any distributions received was $2.3 million for the period presented. See Note 1 above for additional information.

	Level 3 Financial Assets at Fair Value						
Six Months Ended March 31, 2009 (in 000's)	Fair Value, September 30, 2008	Total Realized /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers In and/ or Out of Level 3	Fair Value, March 31, 2009	Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at March 31, 2009
Assets:							
Trading Instruments:							
Provincial and Municipal Obligations	$ 7,107	$ (416)	$ -	$ 1,271	$ -	$ 7,962	$ (416)
Corporate Obligations	-	(138)	-	138	3,834[1]	3,834	(138)
Non-Agency CMOs and ABS	20,220	(2,613)	-	(2,123)	- -	- 15,484	(2,996)
Available for Sale Securities:							
Non-Agency CMOs	8,710	(5,967)	2,656	(76)	-	5,323	(5,967)
Private Equity and Other Investments:							
Private Equity Investments	153,282	(375)	-	(22,005)[2]	-	130,902	(247)
Other Investments	844	132	-	(755)	-	221	(130)
Liabilities:							
	$ 178	$ (75)	$ -	$ -	$ -		$ (109)

Other Liabilities	$ 253

1) The level classification transfer of a corporate obligation was driven by changes in the price transparency for the security. This classification transfer occurred as of the end of the reporting period.
2) Excluding the impact of the deconsolidation of certain internally sponsored private equity limited partnerships, the purchases of private equity investments net of any distributions received was $6.5 million for the period presented. See Note 1 above for additional information.

Gains and losses (realized and unrealized) included in earnings for the three and six months ended March 31, 2009 are reported in net trading profits and other revenues in the Company's statements of income as follows:

Three Months Ended March 31, 2009 (in 000's)	Net Trading Profits	Other Revenues
Total gains or losses included in earnings	$ (1,683)	$ (5,328)
Change in unrealized gains or losses relating to assets still held at reporting date	$ (1,929)	$ (5,416)

Six Months Ended March 31, 2009 (in 000's)	Net Trading Profits	Other Revenues
Total gains or losses included in earnings	$ (3,167)	$ (6,285)
Change in unrealized gains or losses relating to assets still held at reporting date	$ (3,550)	$ (6,453)

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 in certain circumstances, for example, when there is evidence of impairment. These instruments are measured at fair value on a nonrecurring basis and include certain loans that have been deemed impaired.

When a loan held for investment is deemed impaired, a creditor measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, impairment may be measured based on the fair value of the loan cash flow or on the fair value of the underlying collateral if the loan is collateral supported. As of March 31, 2009, loans deemed to be impaired were subsequently measured at fair value totaling $67.6 million, net of amounts charged off and a $22.2 million allowance for loan losses.

The following table presents financial instruments by level within the fair value hierarchy at March 31, 2009, for which a nonrecurring change in fair value was recorded during the year ended March 31, 2009.

	Fair Value Measurements			
(in 000's)	Level 1	Level 2	Level 3	Total
Assets:				
Loans	$ -	$ -	$ 67,588	$ 67,588

The adjustments to fair value of these loans resulted in $49.4 million in losses for the three and six months ended March 31, 2009.

Fair Value Option

Effective October 1, 2008, the Company adopted SFAS 159. SFAS 159 allows companies to elect to follow fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. The Company elected not to adopt the fair value option for any other financial assets and liabilities as permitted by SFAS 159.

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

	March 31, 2009		September 30, 2008	
	Trading Instruments	Instruments Sold but Not Yet Purchased	Trading Instruments	Instruments Sold but Not Yet Purchased
	(in 000's)			
Provincial and Municipal Obligations	$ 58,602	$ 547	$ 101,748	$ 79
Corporate Obligations	19,401	410	34,617	-
Government Obligations	19,312	15,170	28,896	82,062
Agency MBS and CMOs	53,376	741	60,260	25
Non-Agency CMOs and ABS	15,484	-	9,811	-
Total Debt Securities	166,175	16,868	235,332	82,166
Derivative Contracts	84,276	50,241	35,315	19,302
Equity Securities	64,227	10,020	42,391	22,288
Other Securities	4,878	19	970	-
Total	$ 319,556	$ 77,148	$ 314,008	$ 123,756

Auction rate securities totaling $6.1 million and $16.8 million at March 31, 2009 and September 30, 2008, respectively, are predominately included in Municipal Obligations in the table above. At both March 31, 2009 and September 30, 2008 these securities were carried at par, which is management's estimate of fair value. The Company believes most of the remainder of these securities will be redeemed at par, within a reasonable time period, by virtue of call provisions, as issuers refinance their bonds to reduce the higher levels of debt service resulting from recent failed auctions. There were no auction rate securities in Trading Instruments Sold but Not Yet Purchased as of March 31, 2009 or September 30, 2008.

See Note 3 above for 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 residential mortgage-related debt securities owned by RJBank, and certain equity securities owned by the Company's non-broker-dealer subsidiaries. There were no proceeds from the sale of available for sale securities for the three and six months ended March 31, 2009 and 2008.

The amortized cost and fair values of securities available for sale at March 31, 2009 and September 30, 2008 are as follows:

	March 31, 2009			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in 000's)			
Agency Mortgage Backed Securities and Collateralized Mortgage Obligations	$ 309,461	$ 86	$ (4,161)	$ 305,386
Non-Agency Collateralized Mortgage Obligations	370,834	-	(142,789)	228,045
Other Securities	5,000	8	-	5,008
Total RJBank Available for Sale Securities	685,295	94	(146,950)	538,439
Other Securities	3	-	-	3
Total Available for Sale Securities	$ 685,298	$ 94	$ (146,950)	$ 538,442

	September 30, 2008			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in 000's)			
Agency Mortgage Backed Securities and Collateralized Mortgage Obligation Obligations	$ 262,823	$ 82	$ (3,907)	$ 258,998
Non-Agency Collateralized Mortgage Obligations	404,044	-	(85,116)	318,928
Total RJBank Available for Sale Securities	666,867	82	(89,023)	577,926
Other Securities	3	4	-	7
Total Available for Sale Securities	$ 666,870	$ 86	$ (89,023)	$ 577,933

See Note 3 above for additional information regarding the fair value of available for sale securities.

The following table shows the contractual maturities, carrying values and current yields for RJBank's available for sale securities at March 31, 2009. Since RJBank’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.

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield
	($ in 000's)									
Agency Mortgage Backed Securities	$ -	-	$ 17,110	1.77%	$ 109,779	1.53%	$ 178,497	1.60%	$ 305,386	1.58%
Non-Agency Collateralized Mortgage Obligations	-	-								