

RAYMOND JAMES FINANCIAL INC  
Form 10-Q  
February 08, 2011

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, 2010

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.

125,996,802 shares of Common Stock as of February 4, 2011

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter Ended December 31, 2010

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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, 2010	September 30, 2010
	(\$ in 000's)	
<b>Assets</b>		
Cash and Cash Equivalents	\$1,204,883	\$2,943,239
Assets Segregated Pursuant to Regulations and Other Segregated Assets	2,069,075	3,430,715
Securities Purchased under Agreements to Resell and Other Collateralized Financings	456,239	344,652
Financial Instruments, at Fair Value:		
Trading Instruments	612,360	591,447
Available for Sale Securities	385,163	424,461
Private Equity and Other Investments	325,453	321,079
Receivables:		
Brokerage Clients, Net	1,628,394	1,675,535
Stock Borrowed	184,964	262,888
Bank Loans, Net	6,104,133	6,094,929
Brokers-Dealers and Clearing Organizations	115,839	143,994
Other	477,734	442,856
Deposits with Clearing Organizations	81,162	76,488
Prepaid Expenses and Other Assets	460,264	451,357
Investments in Real Estate Partnerships - Held by Variable Interest Entities	328,927	280,890
Property and Equipment, Net	171,569	170,768
Deferred Income Taxes, Net	181,104	165,208
Goodwill	62,575	62,575
<b>Total Assets</b>	<b>\$14,849,838</b>	<b>\$17,883,081</b>
<b>Liabilities and Equity</b>		
Trading Instruments Sold but Not Yet Purchased, at Fair Value	\$203,989	\$131,038
Securities Sold Under Agreements to Repurchase	166,815	233,346
Payables:		
Brokerage Clients	3,382,225	3,308,115
Stock Loaned	498,040	698,668
Bank Deposits	6,682,396	7,079,718
Brokers-Dealers and Clearing Organizations	98,554	137,041
Trade and Other	308,459	290,268
Other Borrowings	30,000	2,557,000
Accrued Compensation, Commissions and Benefits	298,821	418,591
Loans Payable Related to Investments by Variable Interest Entities in Real Estate Partnerships	107,437	76,464

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Corporate Debt	355,169	355,964
<b>Total Liabilities</b>	<b>12,131,905</b>	<b>15,286,213</b>
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 129,305,302 at December 31, 2010 and 128,620,429 at September 30, 2010	1,254	1,244
Shares Exchangeable into Common Stock; 243,048 at December 31, 2010 and September 30, 2010	3,119	3,119
Additional Paid-In Capital	503,649	476,359
Retained Earnings	1,979,572	1,909,865
Treasury Stock, at cost, 4,019,411 Common Shares at December 31, 2010 and 3,918,492 Common Shares at September 30, 2010	(85,056 )	(81,574 )
Accumulated Other Comprehensive Income	4,204	(6,197 )
<b>Total Equity Attributable to Raymond James Financial, Inc.</b>	<b>2,406,742</b>	<b>2,302,816</b>
Noncontrolling Interests	311,191	294,052
<b>Total Equity</b>	<b>2,717,933</b>	<b>2,596,868</b>
<b>Total Liabilities and Equity</b>	<b>\$14,849,838</b>	<b>\$17,883,081</b>

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,	
	2010	2009
<b>Revenues:</b>		
Securities Commissions and Fees	\$534,139	\$469,151
Investment Banking	58,969	25,718
Investment Advisory Fees	52,216	43,975
Interest	104,386	91,372
Net Trading Profits	6,322	11,637
Financial Service Fees	41,788	36,782
Other	32,513	24,034
<b>Total Revenues</b>	<b>830,333</b>	<b>702,669</b>
Interest Expense	16,504	15,702
<b>Net Revenues</b>	<b>813,829</b>	<b>686,967</b>
<b>Non-Interest Expenses:</b>		
Compensation, Commissions and Benefits	551,884	471,079
Communications and Information Processing	31,145	28,074
Occupancy and Equipment Costs	26,229	26,715
Clearance and Floor Brokerage	9,917	8,502
Business Development	23,945	19,881
Investment Sub-Advisory Fees	6,904	6,558
Bank Loan Loss Provision	11,232	22,835
Other	25,827	36,210
<b>Total Non-Interest Expenses</b>	<b>687,083</b>	<b>619,854</b>
<b>Income Including Noncontrolling Interests and Before Provision for Income Taxes</b>	<b>126,746</b>	<b>67,113</b>
Provision for Income Taxes	48,791	26,485
<b>Net Income Including Noncontrolling Interests</b>	<b>77,955</b>	<b>40,628</b>
Net Loss Attributable to Noncontrolling Interests	(3,768 )	(2,275 )
<b>Net Income Attributable to Raymond James Financial, Inc.</b>	<b>\$81,723</b>	<b>\$42,903</b>
<b>Net Income per Common Share-Basic</b>	<b>\$0.65</b>	<b>\$0.35</b>
<b>Net Income per Common Share-Diluted</b>	<b>\$0.65</b>	<b>\$0.35</b>
Weighted-Average Common Shares Outstanding-Basic	121,155	118,763
Weighted-Average Common and Common Equivalent Shares Outstanding-Diluted	121,534	118,983
<b>Net Income Attributable to Raymond James Financial, Inc.</b>	<b>\$81,723</b>	<b>\$42,903</b>
Other Comprehensive Income, Net of Tax(1):	4,897	13,223

## Change in Unrealized Gain on Available for Sale Securities and Non-Credit Portion of Other-Than-Temporary Impairment Losses

Change in Currency Translations	5,504	2,973
Total Comprehensive Income	\$92,124	\$59,099
Other-Than-Temporary Impairment:		
Total Other-Than-Temporary Impairment, net	\$779	\$(15,520 )
Portion of Losses Recognized in Other Comprehensive Income (Before Taxes)	(2,958 )	12,521
Net Impairment Losses Recognized in Other Revenue	\$(2,179 )	\$(2,999 )

(1) The components of Other Comprehensive Income, Net of Tax are attributable to Raymond James Financial, Inc. None of the components of other comprehensive income are attributable to noncontrolling interests.

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



RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)  
(in 000's, except per share amounts)

	Three Months Ended December 31,	
	2010	2009
<b>Common Stock, par value \$.01 per share</b>		
Balance, beginning of year	\$1,244	\$1,227
Issued	10	2
Balance, end of period	1,254	1,229
<b>Shares Exchangeable into Common Stock</b>		
Balance, beginning of year	3,119	3,198
Exchanged	-	(2 )
Balance, end of period	3,119	3,196
<b>Additional Paid-In Capital</b>		
Balance, beginning of year	476,359	416,662
Employee stock purchases	1,690	1,633
Exercise of stock options and vesting of restricted stock units, net of forfeitures	13,798	4,421
Restricted stock, stock option and restricted stock unit expense	14,355	12,455
Excess tax benefit from share-based payments	(1,000 )	(457 )
Other	(1,553 )	1,074
Balance, end of period	503,649	435,788
<b>Retained Earnings</b>		
Balance, beginning of year	1,909,865	1,737,591
Net Income attributable to Raymond James Financial, Inc.	81,723	42,903
Cash Dividends	(16,387 )	(13,686 )
Other	4,371	-
Balance, end of period	1,979,572	1,766,808
<b>Treasury Stock</b>		
Balance, beginning of year	(81,574 )	(84,412 )
Purchases/Surrenders	(5,265 )	(3,322 )
Exercise of stock options and vesting of restricted stock units, net of forfeitures	1,783	(501 )
Balance, end of period	(85,056 )	(88,235 )
<b>Accumulated Other Comprehensive Income(1)</b>		
Balance, beginning of year	(6,197 )	(41,803 )
Net unrealized gain on available for sale securities and non-credit portion of other-than-temporary impairment losses(2)	4,897	13,223
Net change in currency transactions	5,504	2,973
Balance, end of period	4,204	(25,607 )
<b>Total Equity Attributable to Raymond James Financial, Inc.</b>	<b>\$2,406,742</b>	<b>\$2,093,179</b>
<b>Noncontrolling Interests</b>		

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Balance, beginning of year	\$294,052	\$200,676
Net Loss Attributable to Noncontrolling Interests	(3,768 )	(2,275 )
Capital Contributions	14,512	24,869
Distributions	-	(340 )
Other	6,395	(20 )
Balance, end of period	311,191	222,910
Total Equity	\$2,717,933	\$2,316,089

(1) The components of Other Comprehensive Income are attributable to Raymond James Financial, Inc. None of the components of other comprehensive income are attributable to noncontrolling interests.

(2) Net of tax.

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)

	Three Months Ended December 31,	
	2010	2009
<b>Cash Flows From Operating Activities:</b>		
Net Income Attributable to Raymond James Financial, Inc.	\$81,723	\$42,903
Net Loss Attributable to Noncontrolling Interests	(3,768 )	(2,275 )
Net Income Including Noncontrolling Interests	77,955	40,628
Adjustments to Reconcile Net Income Including Noncontrolling Interests to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	9,574	11,758
Deferred Income Taxes	(18,737 )	(23,070 )
Premium and Discount Amortization on Available for Sale Securities and Unrealized/Realized Gain on Other Investments	(484 )	360
Provisions for Loan Losses, Legal Proceedings, Bad Debts and Other Accruals	14,793	37,635
Stock-Based Compensation Expense	15,832	12,901
Other	(2,234 )	(302 )
<b>Net Change In:</b>		
Assets Segregated Pursuant to Regulations and Other Segregated Assets	1,363,377	332,266
Securities Purchased Under Agreements to Resell and Other Collateralized Financings, net of Securities Sold Under Agreements to Repurchase	(178,118 )	(126,107 )
Stock Loaned, net of Stock Borrowed	(122,704 )	300,332
Brokerage Client Receivables and Other Accounts Receivable, net	46,147	29,697
Trading Instruments, net	66,114	29,808
Prepaid Expenses and Other Assets	(129 )	(45,038 )
Brokerage Client Payables and Other Accounts Payable	66,780	(619,498 )
Accrued Compensation, Commissions and Benefits	(122,556 )	(107,096 )
Purchase and Origination of Loans Held for Sale, net of Proceeds from Sale of Securitizations and Loans Held for Sale	(2,868 )	(12,632 )
Excess Tax Benefits from Stock-Based Payment Arrangements	(293 )	(157 )
Net Cash Provided by (Used in) Operating Activities	1,212,449	(138,515 )
<b>Cash Flows from Investing Activities:</b>		
Additions to Property and Equipment	(9,500 )	(5,827 )
(Increase) Decrease in Loans, net	(48,760 )	177,759
Redemption of Federal Home Loan Bank stock, net	4,777	-
Purchases of Private Equity and Other Investments, net	(8,648 )	(13,888 )
Decrease in Securities Purchased Under Agreements to Resell	-	2,000,000
Purchases of Available for Sale Securities	(1,201 )	-
Available for Sale Securities Maturations and Repayments	34,538	37,975
Sales of Available for Sale Securities	11,161	-
Investments in Real Estate Partnerships Held by Variable Interest Entities, net of Other Investing Activity	(4,369 )	(5,945 )
Net Cash (Used In) Provided by Investing Activities	(22,002 )	2,190,074
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Borrowed Funds, net	-	1,027

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Repayments of Borrowings, net	(2,527,795)	(930,752 )
Repayments of Borrowings by Variable Interest Entities which are Real Estate Partnerships	(11,859 )	(8,513 )
Proceeds from Capital Contributed to Variable Interest Entities which are Real Estate Partnerships	14,196	25,917
Exercise of Stock Options and Employee Stock Purchases	17,025	5,309
Decrease in Bank Deposits	(397,322 )	(2,416,318)
Purchase of Treasury Stock	(5,261 )	(3,322 )
Dividends on Common Stock	(16,387 )	(13,686 )
Excess Tax Benefits from Stock-Based Payment Arrangements	293	157
Net Cash Used in Financing Activities	(2,927,110)	(3,340,181)
Currency Adjustment:		
Effect of Exchange Rate Changes on Cash	(1,693 )	1,122
Net Decrease in Cash and Cash Equivalents	(1,738,356)	(1,287,500)
Cash and Cash Equivalents at Beginning of Year	2,943,239	2,306,085
Cash and Cash Equivalents at End of Period	\$1,204,883	\$1,018,585
Supplemental Disclosures of Cash Flow Information:		
Cash Paid for Interest	\$8,787	\$5,382
Cash Paid for Income Taxes	\$6,688	\$8,972
Non-Cash Transfers of Loans to Other Real Estate Owned	\$6,917	\$4,971

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
December 31, 2010

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.

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, 2010, as filed with the United States of America ("U.S.") Securities and Exchange Commission (the "2010 Form 10-K"). To prepare condensed 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 condensed 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 condensed consolidated financial statements.

Update of Significant Accounting Policies

A summary of our significant accounting policies is included in Note 1 on pages 79 – 90 of our 2010 Form 10-K. Other than as discussed below, there have been no significant changes in our significant accounting policies since the year-end September 30, 2010.

As of October 1, 2010, we implemented new Financial Accounting Standards Board ("FASB") guidance regarding the consolidation of VIEs. This new guidance changes the approach to determine a VIEs' primary beneficiary from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest. This new guidance also increases the frequency of required assessments to determine whether we are the primary beneficiary of any VIEs to which we are a party. Upon adoption of this new guidance, we deconsolidated two low-income housing tax credit ("LIHTC") funds which we determined we are no longer the primary beneficiary, and consolidated two other LIHTC funds which we determined we are the primary beneficiary under the new guidance. See Note 7 for further discussion.

At December 31, 2010, we implemented new FASB guidance which requires enhanced disclosures about our allowances for loan losses and credit quality of our financing receivables. See Note 6 which contains the additional

disclosures required under this new guidance specifically pertaining to the financing receivables arising from our bank subsidiary, Raymond James Bank, FSB (“RJ Bank”), including certain additional accounting policy information regarding such balances not previously included in Note 1 – Summary of Significant Accounting Policies on pages 79-90 of our 2010 Form 10-K.

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We also have certain financing receivables that arise from businesses other than our banking business, which are within the scope of the new accounting guidance. Specifically, we make loans to financial advisors and certain revenue producers, primarily for recruiting and retention purposes. Our accounting policies governing this activity, including our policies for determining the allowance for doubtful accounts, are described in Note 1 page 85 of our 2010 Form 10-K. As of December 31, 2010, the outstanding balance of these loans is \$227.8 million, with a related allowance for doubtful accounts of \$10.1 million, and are included in Other Receivables on our Condensed Consolidated Statements of Financial Condition. Based upon the nature of these financing receivables, we do not analyze this asset on a portfolio segment or class basis. Further, the aging of this receivable balance is not a determinative factor in computing our allowance for doubtful accounts as concerns regarding the recoverability of these loans primarily arises in the event that the financial advisor becomes no longer affiliated with us. Of the loan balance referred to above, the portion of the balance associated with financial advisors who are no longer affiliated with us, after consideration of the allowance for doubtful accounts, is approximately \$2 million.

#### Reclassifications

Certain other prior period amounts, none of which are material, have been reclassified to conform to the current presentation.

#### 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. For further discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 1 on page 80 of our 2010 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, 2010 and September 30, 2010:

	December 31, 2010	September 30, 2010
	(in 000's)	
<b>Cash and Cash Equivalents:</b>		
Cash in banks	\$1,199,162	\$2,939,963 (1)
Money market investments	5,721	3,276
Total cash and cash equivalents (2)	1,204,883	2,943,239
<b>Cash and securities segregated pursuant to federal regulations and other segregated assets (3)</b>	<b>2,069,075</b>	<b>3,430,715 (1)</b>
Deposits with clearing organizations(4)	81,162	76,488
	\$3,355,120	\$6,450,442

(1) At September 30, 2010, cash and other segregated assets included additional amounts in order for RJ Bank to meet point-in-time regulatory balance sheet composition requirements related to its qualifying as a thrift institution. The cash in banks and other segregated assets balances at September 30, 2010 included an additional \$1.8 billion and \$1.3 billion, respectively, resulting from the September 30, 2010 point-in-time requirement. See Note 22 on page 130 of our 2010 Form 10-K for discussion of the September 30, 2010 point-in-time requirement.

- (2) Of the total, includes \$423 million of RJF Parent Company cash and cash equivalents (invested on behalf of the RJF Parent Company by one of its subsidiaries) as of December 31, 2010. At September 30, 2010, the RJF Parent Company had \$287 million in cash and cash equivalents (see Note 26 on page 135 of the 2010 Form 10-K for further information).
- (3) Consists of cash and cash equivalents maintained in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934. Raymond James & 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, Raymond James Ltd. ("RJ Ltd") is required to hold client Registered Retirement Savings Plan funds in trust. The \$1.3 billion in other segregated assets at September 30, 2010 related to the point-in-time regulatory balance sheet composition requirements mentioned above was held as collateral by the Federal Home Loan Bank of Atlanta ("FHLB") securing an overnight advance. On October 1, 2010, the advance was repaid.
- (4) 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 81 - 84 in our 2010 Form 10-K.

There have been no material changes to our valuation methodologies since our year ended September 30, 2010.



Assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and September 30, 2010 are presented below:

December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)(1)	Significant Other Observable Inputs (Level 2)(1)	Significant Unobservable Inputs (Level 3) (in 000's)	Netting Adjustments(2)	Balance as of December 31, 2010
<b>Assets:</b>					
<b>Trading Instruments:</b>					
Municipal and Provincial Obligations	\$252	\$220,140	\$ 6,076	\$ -	\$226,468
Corporate Obligations	20,724	29,532	-	-	50,256
Government and Agency Obligations	18,650	25,794	-	-	44,444
Agency Mortgage-Backed Securities("MBS") and Collateralized Mortgage Obligations ("CMOs")	561	234,242	-	-	234,803
Non-Agency CMOs and Asset-Backed Securities ("ABS")	-	3,771	3,643	-	7,414
Total Debt Securities	40,187	513,479	9,719	-	563,385
Derivative Contracts	-	86,275	-	(64,169 )	22,106
Equity Securities	17,750	447	3,225	-	21,422
Other Securities	691	4,756	-	-	5,447
Total Trading Instruments	58,628	604,957	12,944	(64,169 )	612,360
<b>Available for Sale Securities:</b>					
Agency MBS and CMOs	-	197,333	-	-	197,333
Non-Agency CMOs	-	181,721	1,098	-	182,819
Other Securities	10	5,001	-	-	5,011
Total Available for Sale Securities	10	384,055	1,098	-	385,163
<b>Private Equity and Other Investments:</b>					
Private Equity Investments	-	-	159,586 (3)	-	159,586
Other Investments	165,156	666	45	-	165,867
Total Private Equity and Other Investments	165,156	666	159,631	-	325,453
Other Assets	-	-	25	-	25
Total	\$223,794	\$989,678	\$ 173,698	\$ (64,169 )	\$1,323,001
<b>Liabilities:</b>					
<b>Trading Instruments Sold but Not Yet Purchased:</b>					

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Municipal and Provincial Obligations	\$-	\$149	\$ -	\$ -	\$149
Corporate Obligations	-	2,576	-	-	2,576
Government Obligations	179,354	-	-	-	179,354
Agency MBS and CMOs	785	-	-	-	785
Total Debt Securities	180,139	2,725	-	-	182,864
Derivative Contracts	-	64,157	-	(57,175 )	6,982
Equity Securities	13,745	398	-	-	14,143
Total Trading Instruments Sold but Not Yet Purchased	193,884	67,280	-	(57,175 )	203,989
Other Liabilities	-	3	46	-	49
Total	\$193,884	\$67,283	\$ 46	\$ (57,175 )	\$204,038

- (1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the period ended December 31, 2010. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.
- (2) 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.
- (3) Includes \$85.2 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 \$68.1 million of that total as of December 31, 2010.

September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)(1)	Significant Other Observable Inputs (Level 2)(1)	Significant Unobservable Inputs (Level 3) (in 000's)	Netting Adjustments(2)	Balance as of September 30, 2010
<b>Assets:</b>					
<b>Trading Instruments:</b>					
Municipal and Provincial Obligations	\$7	\$162,071	\$ 6,275	\$ -	\$168,353
Corporate Obligations	21,485	16,986	-	-	38,471
Government and Agency Obligations	27,374	9,520	-	-	36,894
Agency MBS and CMOs	303	278,275	-	-	278,578
Non-Agency CMOs and ABS	-	4,367	3,930	-	8,297
Total Debt Securities	49,169	471,219	10,205	-	530,593
Derivative Contracts	-	102,490	-	(76,123 )	26,367
Equity Securities	28,506	113	3,025	-	31,644
Other Securities	1,250	1,593	-	-	2,843
Total Trading Instruments	78,925	575,415	13,230	(76,123 )	591,447
<b>Available for Sale Securities:</b>					
Agency MBS and CMOs	-	217,879	-	-	217,879
Non-Agency CMOs	-	200,559	1,011	-	201,570
Other Securities	9	5,003	-	-	5,012
Total Available for Sale Securities	9	423,441	1,011	-	424,461
<b>Private Equity and Other Investments:</b>					
Private Equity Investments	-	-	161,230 (3)	-	161,230
Other Investments	158,653	1,151	45	-	159,849
Total Private Equity and Other Investments	158,653	1,151	161,275	-	321,079
Other Assets	-	25	-	-	25
Total	\$237,587	\$1,000,032	\$ 175,516	\$ (76,123 )	\$1,337,012
<b>Liabilities:</b>					
<b>Trading Instruments Sold but Not Yet Purchased:</b>					
Municipal and Provincial Obligations	\$-	\$296	\$ -	\$ -	\$296
Corporate Obligations	17	676	-	-	693
Government Obligations	99,631	-	-	-	99,631
Agency MBS and CMOs	105	-	-	-	105
Total Debt Securities	99,753	972	-	-	100,725
Derivative Contracts	-	86,039	-	(84,390 )	1,649

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Equity Securities	15,890	12,774	-	-	28,664
Total Trading Instruments Sold but Not Yet Purchased	115,643	99,785	-	(84,390 )	131,038
Other Liabilities	-	105	46	-	151
Total	\$115,643	\$99,890	\$ 46	\$ (84,390 )	\$131,189

- (1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the year ended September 30, 2010. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.
- (2) 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.
- (3) Includes \$86.3 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 \$69.1 million of that total as of September 30, 2010.

## 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.

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended December 31, 2010 and 2009 are presented below:

## Level 3 Financial Assets at Fair Value

Period Ended	Fair Value, September 30, 2010	Total Realized /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Other Included in Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers Into Level 3	Transfers Out of Level 3	Fair Value, December 31, 2010	Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at December 31, 2010
(in 000's)								
<b>Assets:</b>								
<b>Trading Instruments:</b>								
Municipal and Provincial Obligations	\$6,275	\$ (194 )	\$ -	\$ (5 )	\$-	\$-	\$ 6,076	\$ (389 )
Non-Agency CMOs and ABS	3,930	(137 )	-	(149 )	-	-	3,643	52
Equity Securities	3,025	-	-	200	-	-	3,225	-
<b>Available for Sale Securities:</b>								
Non-Agency CMOs	1,011	-	167	(80 )	-	-	1,098	-