
Raymond James Financial, Inc. Electronic EDGAR Proof

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Documents

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| 10-Q | q10063006.htm |
| | RJF June 2006 10Q |
| EX-3.ii | ex3-ii.htm |
| | Exhibit 3(ii) |
| EX-31.1 | ex31-1.htm |
| | Exhibit 31.1 TAJ |
| EX-31.2 | ex31-2.htm |
| | Exhibit 31.2 JPJ |
| EX-32.1 | ex32-1taj.htm |
| | Exhibit 32.1 TAJ |
| EX-32.2 | ex32-2jpj.htm |
| | Exhibit 32.2 JPJ |
| 10-Q | submissionpdf.pdf |
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Module and Segment References

SEC EDGAR XFDL Submission Header

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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 June 30, 2006

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 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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 close of the latest practicable date.

116,089,531 shares of Common Stock as of August 7, 2006

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter Ended June 30, 2006

INDEX

| PART I. | FINANCIAL INFORMATION | PAGE |
|----------|--|------|
| Item 1. | Financial Statements (unaudited) | |
| | <u>Condensed Consolidated Statement of Financial Condition as of June 30, 2006 and September 30, 2005 (unaudited)</u> | 3 |
| | <u>Condensed Consolidated Statement of Operations for the three months ended June 30, 2006 and June 24, 2005 (unaudited)</u> | 4 |
| | <u>Condensed Consolidated Statement of Operations for the nine months ended June 30, 2006 and June 24, 2005 (unaudited)</u> | 4 |
| | <u>Condensed Consolidated Statement of Cash Flows for the nine months ended June 30, 2006 and June 24, 2005 (unaudited)</u> | 5 |
| | <u>Notes to Condensed Consolidated Financial Statements (unaudited)</u> | 7 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 25 |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 35 |
| Item 4. | <u>Controls and Procedures</u> | 38 |
| PART II. | OTHER INFORMATION | |
| Item 1. | <u>Legal Proceedings</u> | 39 |
| Item 1A. | <u>Risk Factors</u> | 39 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 39 |
| Item 6. | <u>Exhibits</u> | 40 |
| | <u>Signatures</u> | 41 |

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

| | June 30, 2006 | September 30, 2005 |
|---|------------------|-----------------------|
| | (in thousands) | |
| Assets: | | |
| Cash and cash equivalents | \$ 631,912 | \$ 881,133 |
| Assets segregated pursuant to federal regulations - cash and cash equivalents | 3,226,244 | 2,351,805 |
| Securities purchased under agreements to resell | 335,682 | 117,616 |
| Securities owned: | | |
| Trading securities, at fair value | 679,651 | 359,679 |
| Available for sale securities, at fair value | 151,141 | 187,549 |
| Other investments | 66,815 | - |
| Receivables: | | |
| Brokerage clients, net | 1,530,714 | 1,426,096 |
| Stock borrowed | 1,050,153 | 1,079,849 |
| Bank loans, net | 1,904,683 | 1,000,281 |
| Brokers-dealers and clearing organizations | 220,276 | 110,760 |
| Other | 285,163 | 241,527 |
| Investments in real estate partnerships- held by variable interest entities | 186,893 | 138,228 |
| Property and equipment, net | 142,011 | 137,555 |
| Deferred income taxes, net | 84,814 | 78,373 |
| Deposits with clearing organizations | 30,682 | 31,286 |
| Goodwill | 62,575 | 62,575 |
| Investment in leveraged leases, net | 11,116 | 11,808 |
| Prepaid expenses and other assets | 190,243 | 142,649 |
| | \$10,790,768 | \$8,358,769 |
| Liabilities and Shareholders' Equity: | | |
| Loans payable | \$ 556,675 | \$ 146,462 |
| Loans payable related to real estate- owed by variable interest entities | 144,215 | 144,780 |
| Payables: | | |
| Brokerage clients | 4,644,957 | 3,767,535 |
| Stock loaned | 1,334,198 | 1,115,595 |
| Bank deposits | 1,448,404 | 1,076,020 |
| Brokers-dealers and clearing organizations | 88,297 | 146,269 |
| Trade and other | 146,659 | 140,360 |
| Trading securities sold but not yet purchased | 197,073 | 134,595 |
| Securities sold under agreements to repurchase | 354,360 | 33,681 |
| Accrued compensation, commissions and benefits | 275,011 | 299,657 |
| Income taxes payable | 36,805 | 20,961 |
| | 9,226,654 | 7,025,915 |
| Minority Interests | 120,578 | 91,031 |
| Shareholders' equity*: | | |
| Preferred stock; \$.10 par value; authorized | | |
| 10,000,000 shares; issued and outstanding -0- shares | - | - |
| Common Stock; \$.01 par value; authorized | | |
| 180,000,000 shares; issued 117,304,389 at | | |
| June 30, 2006 and 114,850,634 at Sept. 30, 2005 | 1,173 | 765 |
| Shares exchangeable into common stock; 386,375 | | |
| at June 30, 2006 and 427,988 at Sept. 30, 2005 | 4,959 | 5,493 |
| Additional paid-in capital | 227,182 | 165,074 |
| Retained earnings | 1,217,247 | 1,082,063 |
| Accumulated other comprehensive income | 10,936 | 9,632 |
| | 1,461,497 | 1,263,027 |
| Less: 1,293,749 and 1,884,422 common shares in treasury, at cost | 17,961 | 21,204 |
| | 1,443,536 | 1,241,823 |
| | \$10,790,768 | \$8,358,769 |

See accompanying Notes to Condensed Consolidated Financial Statements.

* All share amounts adjusted, as necessary, for the March 22, 2006 3-for-2 stock split.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|-------------------|
| | June 30, 2006 | June 24, 2005 | June 30, 2006 | June 24, 2005 |
| Revenues: | | | | |
| Securities commissions and fees | \$ 424,594 | \$ 349,364 | \$ 1,186,079 | \$1,048,206 |
| Investment banking | 44,075 | 30,544 | 112,645 | 87,436 |
| Investment advisory fees | 46,371 | 38,674 | 132,603 | 115,233 |
| Interest | 125,860 | 66,354 | 320,532 | 178,161 |
| Net trading profits | 5,671 | 2,722 | 19,717 | 19,919 |
| Financial service fees | 38,288 | 20,507 | 86,441 | 64,665 |
| Other | 26,498 | 18,197 | 85,505 | 49,446 |
| Total Revenues | 711,357 | 526,362 | 1,943,522 | 1,563,066 |
| Interest expense | 81,689 | 32,818 | 194,516 | 87,419 |
| Net Revenues | 629,668 | 493,544 | 1,749,006 | 1,475,647 |
| Non-Interest Expenses: | | | | |
| Compensation, commissions and benefits | 429,224 | 348,361 | 1,195,488 | 1,039,762 |
| Communications and information processing | 25,858 | 23,948 | 77,152 | 67,205 |
| Occupancy and equipment costs | 18,701 | 16,695 | 54,213 | 48,570 |
| Clearance and floor brokerage | 8,781 | 6,769 | 19,607 | 18,014 |
| Business development | 21,782 | 17,057 | 58,608 | 47,303 |
| Other | 30,993 | 29,750 | 87,525 | 78,205 |
| Total Non-Interest Expenses | 535,339 | 442,580 | 1,492,593 | 1,299,059 |
| Income before provision for income taxes and minority interest | 94,329 | 50,964 | 256,413 | 176,588 |
| Provision for income taxes | 39,728 | 19,094 | 99,733 | 68,088 |
| Minority interest | (2,173) | (512) | (6,734) | 2,178 |
| Net Income | \$ 56,774 | \$ 32,382 | \$ 163,414 | \$ 106,322 |
| Net Income per share-basic | \$ 0.50 | \$ 0.29 | \$ 1.45 | \$ 0.97 |
| Net Income per share-diluted | \$ 0.48 | \$ 0.29 | \$ 1.41 | \$ 0.94 |
| Weighted average common shares | | | | |
| outstanding-basic* | 113,464 | 110,495 | 112,376 | 109,980 |
| Weighted average common and common | | | | |
| equivalent shares outstanding-diluted* | 116,960 | 113,382 | 115,556 | 113,240 |
| Cash dividends declared per common share* | \$ 0.08 | \$ 0.05 | \$ 0.24 | \$ 0.16 |

See accompanying Notes to Condensed Consolidated Financial Statements.

* Share amounts adjusted, as necessary, for the March 22, 2006 3-for-2 stock split.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(in thousands)
(continued on next page)

| | Nine Months Ended | |
|---|--------------------------|-----------------|
| | June 30, | June 24, |
| | 2006 | 2005 |
| Cash Flows from operating activities: | | |
| Net Income | \$ 163,414 | \$ 106,322 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14,474 | 12,023 |
| Excess tax benefits from stock-based payment arrangements | (1,312) | - |
| Deferred income taxes | (6,441) | (7,863) |
| Unrealized loss (gain), premium and discount amortization on available for sale securities and other securities | 123 | (979) |
| Effectiveness of interest rate swaps accounted for as cash flow hedges | - | (4) |
| Loss (gain) on sale of property and equipment | 1,046 | (156) |
| Provision for legal proceedings, bad debts and other accruals | 24,411 | 28,927 |
| Stock-based compensation expense | 17,253 | 11,826 |
| (Increase) decrease in operating assets: | | |
| Assets segregated pursuant to federal regulations | (874,439) | (19,335) |
| Receivables: | | |
| Brokerage clients, net | (104,766) | (42,544) |
| Stock borrowed | 29,696 | 397,864 |
| Brokers-dealers and clearing organizations | (109,516) | 43,926 |
| Other | (26,189) | (26,860) |
| Securities purchased under agreements to resell, net of securities sold under agreements to repurchase | 102,613 | (41,155) |
| Trading securities, net | (257,494) | (35,229) |
| Investments in real estate partnerships-held by variable interest entities | (48,665) | 22,569 |
| Prepaid expenses and other assets | (44,174) | (14,468) |
| Increase (decrease) in operating liabilities: | | |
| Payables: | | |
| Brokerage clients | 877,422 | 214,727 |
| Stock loaned | 218,603 | (374,016) |
| Brokers-dealers and clearing organizations | (57,972) | (1,816) |
| Trade and other | (9,612) | 9,808 |
| Accrued compensation, commissions and benefits | (24,646) | (2,874) |
| Income taxes payable | 15,873 | (21,284) |
| Minority Interest | 29,547 | (1,085) |
| Net cash (used in) provided by operating activities | \$ (70,751) | \$ 258,324 |

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

(Unaudited)
(in thousands)
(continued from previous page)

| | Nine Months Ended | |
|---|-------------------|------------------|
| | June 30, 2006 | June 24, 2005 |
| Cash Flows from investing activities: | | |
| Additions to property and equipment, net | \$ (22,409) | \$ (18,988) |
| Loan originations and purchases | (1,612,489) | (459,838) |
| Loan repayments | 699,807 | 254,003 |
| Purchases of other investments | (66,815) | - |
| Sale of available for sale securities | 227 | 9,251 |
| Purchases of available for sale securities | (9,721) | (37,434) |
| Available for sale securities maturations and repayments | 45,945 | 52,098 |
| Net cash used in investing activities | (965,455) | (200,908) |
| Cash Flows from financing activities: | | |
| Proceeds from borrowed funds | 413,033 | 10,000 |
| Repayments of mortgage and borrowings | (2,820) | (4,549) |
| Financing activity related to variable interest entities | 6,348 | (44,250) |
| Exercise of stock options and employee stock purchases | 28,321 | 19,120 |
| Increase in bank deposits, net | 372,384 | 220,701 |
| Purchase of treasury stock | (5,100) | (96) |
| Cash dividends on common stock | (27,841) | (19,684) |
| Excess tax benefits from stock-based payment arrangements | 1,312 | - |
| Net cash provided by financing activities | 785,637 | 181,242 |
| Currency adjustment: | | |
| Effect of exchange rate changes on cash | 1,348 | 1,857 |
| Net (decrease) increase in cash and cash equivalents | (249,221) | 240,515 |
| Cash and cash equivalents at beginning of period | 881,133 | 482,348 |
| Cash and cash equivalents at end of period | \$ 631,912 | \$ 722,863 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 191,274 | \$ 86,841 |
| Cash paid for taxes | \$ 90,329 | \$ 83,075 |

See accompanying Notes to Condensed Consolidated Financial Statements.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2006

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 Florida-based holding company 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 discussed in Note 4. 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.

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. Pursuant to GAAP, 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. During the quarter ended June 30, 2006, the Company recorded a one-time adjustment of \$8.2 million to increase revenues related to financial service fees. This adjustment was necessary to change the recording of certain fees, primarily Individual Retirement Account ("IRA") fees, from a cash basis to an accrual basis. 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, 2005. 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 reclassifications have been made to the unaudited condensed consolidated financial statements of the prior period to conform to the current period presentation.

On December 1, 2005 the Company's Board of Directors approved a change in the Company's fiscal year from the last Friday in September of each year to September 30 of each year. This also changes the ending date of the Company's fiscal quarters from the last Friday in each quarter to the last day of each quarter.

Note 2 - Effects of Recently Issued Accounting Standards:

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections" (SFAS 154), which replaces APB No. 20, "Accounting Changes" and FASB Statement No. 3, "Reporting Changes in Interim Financial Statements". The Statement changes the accounting for, and reporting of, a change in accounting principle. Statement 154 requires retrospective application to prior period's financial statements of voluntary changes in accounting principle and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. Statement 154 is effective for accounting changes and corrections of errors beginning in the Company's fiscal year 2007. The Company is currently evaluating the impact on its financial reporting process of the adoption of SFAS 154.

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") in Issue 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" on the guidance on how general partners in a limited partnership should determine whether they control a limited partnership. This consensus is effective for general partners of all new limited partnerships formed, and for existing limited partnerships for which the partnership agreements are modified, subsequent to the date of the ratification of this consensus (June 29, 2005). The guidance in this issue is effective for general partners in all other limited partnerships no later than the beginning of the Company's fiscal year 2007. The Company adopted this EITF for partnerships created or modified after June 29, 2005, the impact of which was not material to its consolidated financial statements, and is currently evaluating the potential impact of this EITF for partnerships created prior to June 29, 2005.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments." SFAS No. 155 is an amendment of SFAS No. 133 and SFAS No. 140. SFAS No. 155 permits companies to elect, on an instrument by instrument basis, to apply a fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not expect SFAS No. 155 to have a material impact on the consolidated financial statements of the Company.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets." SFAS No. 156 amends SFAS No. 140. SFAS No. 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value. For subsequent measurements, SFAS No. 156 permits companies to choose between using an amortization method or a fair value measurement method for reporting purposes. SFAS No. 156 is effective as of the beginning of a company's first fiscal year that begins after September 15, 2006. The Company does not expect SFAS No. 156 to have a material impact on the consolidated financial statements of the Company.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 establishes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of this interpretation will have on its consolidated financial statements.

In July 2006, the FASB issued Staff Position No. FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction ("FSP FAS 13-2"). This FASB Staff Position addresses how a change in the timing of cash flows relating to income taxes generated by a leveraged lease transaction affects the accounting by a lessor for that lease. FSP FAS 13-2 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of this staff position will have on its consolidated financial statements.

Note 3 - Trading Securities And Trading Securities Sold But Not Yet Purchased:

| | June 30, 2006 | | September 30, 2005 | |
|------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|
| | Trading Securities | Securities Sold but Not yet Purchased | Trading Securities | Securities Sold but Not yet Purchased |
| | (in 000's) | | | |
| Marketable: | | | | |
| Equities | \$34,886 | \$23,561 | \$ 32,237 | \$ 30,256 |
| Municipal obligations | 247,180 | 345 | 177,984 | 17 |
| Corporate obligations | 130,038 | 2,284 | 27,830 | 2,285 |
| Government obligations | 108,283 | 87,603 | 42,009 | 99,465 |
| Agencies | 122,522 | 74,212 | 60,445 | 84 |
| Derivative Contracts | 31,546 | 9,067 | 12,795 | 2,488 |
| Other | 5,073 | - | 2,019 | - |
| Non-marketable | 123 | 1 | 4,360 | - |
| | \$679,651 | \$197,073 | \$359,679 | \$134,595 |

Mortgage backed trading securities of \$197.0 million and \$79.8 million at June 30, 2006 and September 30, 2005, respectively, are included in corporate obligations and agencies in the table above. Mortgage backed securities sold but not yet purchased of \$74.2 million and \$84,000 at June 30, 2006 and September 30, 2005, respectively, are included in agencies in the table above.

Note 4 - Variable Interest Entities (“VIEs”):

Under the provisions of FIN 46R the Company has determined that Raymond James Employee Investment Funds I and II (the “EIF Funds”), Comprehensive Software Systems, Inc. (“CSS”), certain entities in which Raymond James Tax Credit Funds, Inc. (“RJTCF”) owns variable interests, various partnerships involving real estate, and a trust fund established for employee retention purposes are VIEs. Of these, the Company has determined that the EIF Funds, certain tax credit fund partnerships/LLCs, and the trust fund should be consolidated in the financial statements.

The EIF Funds are limited partnerships, for which the Company is the general partner, that invest in the merchant banking and private equity activities of the Company and other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain qualified key employees of the Company. The Company makes non-recourse loans to these employees for two-thirds of the purchase price per unit. The loans and applicable interest are to be repaid based on the earnings of the EIF Funds. The Company is deemed to be the primary beneficiary, and accordingly, consolidates the EIF Funds, which had combined assets of approximately \$18.5 million at June 30, 2006. None of those assets act as collateral for any obligations of the EIF Funds. The Company's exposure to loss is limited to its contributions and the loans funded to the employee investors. At June 30, 2006, that exposure is approximately \$11.5 million.

CSS was formed by a group of broker-dealer firms, including the Company, to develop a back-office software system. CSS is currently funded by capital contributions and loans from its owners. CSS had assets of \$3.6 million at June 30, 2006. The Company's exposure to loss is limited to its capital contributions, amounts loaned and committed. The Company is not the primary beneficiary of CSS and accounts for its investment using the equity method of accounting.

RJTCF is a wholly owned subsidiary of RJF and is the managing member or general partner in approximately 42 individual tax credit housing funds having one or more investor members or limited partners. These tax credit housing funds are organized as limited liability companies or limited partnerships for the purpose of investing in limited partnerships which purchase and develop low income housing properties qualifying for tax credits. As of June 30, 2006, 40 of these tax credit housing funds are VIEs as defined by FIN 46R, and RJTCF's interest in these tax credit housing funds which are VIEs range from .01% to 1%.

RJTCF has concluded it is the primary beneficiary in approximately one third of these tax credit housing funds, and accordingly, consolidates these funds, which have combined assets of approximately \$249.8 million at June 30, 2006. None of those assets act as collateral for any obligations of these funds. The Company's exposure to loss is limited to its advances to these funds. At June 30, 2006, that exposure is approximately \$15.7 million.

RJTCF is not the primary beneficiary of the remaining tax credit housing funds it determined to be VIEs and accordingly the Company does not consolidate its financial interests in these funds. The Company's exposure to loss is limited to its advances to those funds. At June 30, 2006, that exposure is approximately \$32.4 million.

The two remaining tax credit housing funds that have been determined not to be VIEs are wholly owned by RJTCF and are included in the Company's consolidated financial statements. As of June 30, 2006, only one of these funds had any material activity. This fund typically holds interests in certain tax credit limited partnerships for less than 90-days and has assets of approximately \$5.8 million at June 30, 2006.

As of June 30, 2006, the Company has a variable interest in several limited partnerships involved in various real estate activities, in which a subsidiary is the general partner. The Company is not the primary beneficiary of these partnerships and accordingly the Company does not consolidate its financial interests in these partnerships. These partnerships have assets of approximately \$25.5 million at June 30, 2006. The Company's exposure to loss is limited to its capital contributions. The carrying value of the Company's investment in these partnerships is not material at June 30, 2006.

One of the Company's restricted stock plans is associated with a trust fund which was established through the Company's wholly owned Canadian subsidiary. This trust fund was established and funded to enable the trust fund to acquire Company common stock in the open market to be used to settle restricted stock units granted as a retention vehicle for certain employees of the Canadian subsidiary. For financial statement purposes, the Company is deemed to be the primary beneficiary in accordance with FIN 46R, and accordingly, consolidates this trust fund, which has assets of approximately \$5.3 million at June 30, 2006. None of those assets are specifically pledged as collateral for any obligations of the trust fund. The Company's exposure to loss is limited to its contributions to the trust fund. At June 30, 2006, that exposure is approximately \$5.3 million.

Note 5 - Borrowings:

Loans payable at June 30, 2006 and September 30, 2005 are presented below:

| | June 30, 2006 | September 30, 2005 |
|--|------------------|-----------------------|
| | (in 000's) | |
| Short-term Borrowings: | | |
| Borrowings on lines of credit ⁽¹⁾ | \$13,738 | \$ 5,338 |
| Current portion of mortgage notes payable ⁽²⁾ | 2,712 | 2,604 |
| Federal home loan bank advances ⁽³⁾ | 403,700 | - |
| Total short-term borrowings | 420,150 | 7,942 |
| Long-term Borrowings: | | |
| Mortgage notes payable ⁽²⁾ | 66,525 | 68,520 |
| Federal home loan bank advances ⁽³⁾ | 70,000 | 70,000 |
| Total long-term borrowings | 136,525 | 138,520 |
| Total borrowings | \$556,675 | \$146,462 |

- (1) The Company and its subsidiaries maintain one committed and several uncommitted lines of credit denominated in U.S. dollars and one uncommitted line of credit denominated in Canadian dollars. At June 30, 2006, the aggregate domestic lines were \$710 million and CDN \$40 million, respectively, of which \$8.3 million was outstanding. The interest rates for the lines of credit are variable and are based on the Fed Funds rate, LIBOR, and Canadian prime rate. For the three months ended June 30, 2006, interest rates on the lines of credit ranged from 5.25% to 6.76%. For the three months ended, June 30, 2005 interest rates on the lines of credit ranged from 3.25% to 4.82%. In addition, various foreign joint ventures of the company have five unsecured lines of credit. At June 30, 2006 the aggregate lines of credit were \$29 million, of which \$5.3 million was outstanding. The interest rates for the lines of credit range from 7% to 22%.
- (2) Mortgage notes payable is comprised of a mortgage loan for the financing of the Company's home office complex and a note for the financing of the office for a foreign joint venture. The mortgage loan bears interest at 5.7% and is secured by land, buildings, and improvements with a net book value of \$74.3 million at June 30, 2006. A new building was purchased for \$1.6 million in April 2005 for a foreign joint venture's office in India and was financed with a note bearing 8.25% interest and is secured by the land and building.
- (3) RJBank has \$473.7 million in Federal Home Loan Bank ("FHLB") advances outstanding at June 30, 2006, which are comprised of \$403.7 million short-term, floating rate and \$70.0 million long-term, fixed rate advances. The short-term, floating rate advances currently bear interest at rates ranging from 5.11% to 5.13%. The long-term, fixed rate advances bear interest at rates ranging from 2.37% to 5.67%. The outstanding FHLB advances mature between July 2006 and October 2014. These advances are secured by a blanket lien on the Bank's residential loan portfolio issued to FHLB at June 30, 2006.

Note 6 - Stock Based Compensation:

At June 30, 2006, the Company had multiple stock-based employee compensation plans, which are described below. The Company issues new shares under all plans approved by shareholders. Effective October 1, 2005, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 123(R), *Share-Based Payment*. The adoption of this statement did not have a material impact on the Company's consolidated financial statements given that it adopted the fair value recognition provisions of SFAS No. 123 effective September 28, 2002 using the modified prospective application transition method within the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". Prior to the adoption of SFAS No. 123(R), benefits of tax deductions in excess of recognized compensation costs were reported as operating cash flows. SFAS No. 123(R) requires excess tax benefits to be reported as a financing cash inflow rather than as a reduction of taxes paid.

Fixed Stock Option Plans

The Company has two qualified and three non-qualified fixed stock option plans. Under the 2002 Incentive Stock Option Plan, one of the Company's qualified plans, the Company may grant options to its management personnel for up to 9,000,000 shares of common stock. The 2002 Plan was established to replace, on substantially the same terms and conditions, the 1992 Plan. As of June 30, 2006, the 1992 Plan still has options outstanding. Options are granted to key administrative employees and Financial Advisors of Raymond James & Associates, Inc. who achieve certain gross commission levels. Options are exercisable in the 36th to 72nd months following the date of grant and only in the event that the grantee is an employee of the Company at that time, disabled or recently retired.

As noted above, the Company has three non-qualified fixed stock option plans. Under the first of those plans, the Company may grant up to 5,125,781 shares of common stock to independent contractor Financial Advisors. Options are exercisable five years after grant date provided that the Financial Advisors are still associated with the Company. Under the Company's second non-qualified stock option plan, the Company may grant up to 854,298 shares of common stock to the Company's outside directors. Options vest over a five-year period from grant date provided that the director is still serving on the Board of the Company. Under the Company's third non-qualified stock option plan, the Company may grant up to 2,531,250 shares of common stock to key management personnel. Option terms are specified in individual agreements and expire on a date no later than the tenth anniversary of the grant date. Under all fixed stock option plans, the exercise price of each option equals the market price of the Company's stock on the date of grant.

The Company's net income for the three and nine months ended June 30, 2006 includes \$2.0 million and \$5.4 million, respectively, of compensation costs and \$154,000 and \$450,000, respectively, of income tax benefits related to the Company's five fixed stock option plans. The Company's net income for the three and nine months ended June 24, 2005 includes \$2.0 million and \$6.2 million, respectively, of compensation costs and \$243,000 and \$653,000, respectively, of income tax benefits related to the Company's five fixed stock option plans.

These amounts may not be representative of future stock-based compensation expense since the estimated fair value of stock options is amortized to expense straight line over the vesting period and additional options may be granted in future years. The fair value of each fixed option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock option grants in the three and nine months ended June 30, 2006 and June 24, 2005:

| | Three Months Ended | | Nine Months Ended | |
|-------------------------|--------------------|---------------|-------------------|---------------|
| | June 30, 2006 | June 24, 2005 | June 30, 2006 | June 24, 2005 |
| Dividend Yield | 1.06% | 1.10% | 1.20% | 1.10% |
| Expected Volatility | 29.38% | 39.21% | 29.38% | 38.54% |
| Risk-free Interest Rate | 5.18% | 3.88% | 4.38% | 3.68% |
| Expected Lives | 4.9 yrs | 5.1 yrs | 4.9 yrs | 5.2 yrs |

The dividend yield assumption is based on the Company's current declared dividend as a percentage of the stock price. The expected volatility assumption for the current period is based on the Company's historical stock price and is a weighted average combining (1) the volatility of the most recent year, (2) the volatility of the most recent time period equal to the expected lives assumption, and (3) the annualized volatility of the price of the Company's stock over its entire history. The expected volatility used by the Company in the prior period presented was based on the annualized volatility of the price of the Company's stock over its entire history. The risk-free interest rate assumption is based on the U.S. Treasury yield curve in effect at the time of grant of the options. The expected lives assumption is based on the average of (1) the assumption that all outstanding options will be exercised at the midpoint of their vesting date and full contractual term and (2) the assumption that all outstanding options will be exercised at their full contractual term.

A summary of option activity of the Company's five fixed stock option plans for the nine months ended June 30, 2006 is presented below:

| | Options For Shares | Weighted Average Exercise Price (\$) | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (\$) |
|------------------------|-----------------------|---|---|--------------------------------------|
| Outstanding at | | | | |
| October 1, 2005 | 7,050,171 | \$14.97 | | |
| Granted | 1,965,113 | 23.91 | - | - |
| Exercised | (803,169) | 13.45 | - | - |
| Canceled | (32,954) | 15.82 | | |
| Expired | (2,250) | 13.95 | - | - |
| Outstanding at | | | | |
| December 31, 2005 | 8,176,911 | \$17.26 | 3.14 | \$64,219,903 |
| Granted | 31,350 | 30.13 | - | - |
| Exercised | (632,979) | 14.89 | - | - |
| Canceled | (112,099) | 18.80 | | |
| Expired | (5,475) | 16.95 | - | - |
| Outstanding at | | | | |
| March 31, 2006 | 7,457,708 | \$17.49 | 3.13 | \$90,014,615 |
| Granted | 40,995 | 28.91 | - | - |
| Exercised | (135,241) | 14.18 | - | - |
| Canceled | (88,407) | 17.48 | | |
| Expired | (4,250) | 16.58 | - | - |
| Outstanding at | | | | |
| June 30, 2006 | 7,270,805 | \$17.59 | 2.94 | \$92,225,250 |
| Options exercisable at | | | | |
| June 30, 2006 | 1,167,307 | \$14.20 | 0.80 | \$18,761,604 |

As of June 30, 2006, there was \$18.4 million of total unrecognized compensation cost related to stock options. These costs are expected to be recognized over a weighted average period of approximately three years. The weighted average grant date fair value of stock options granted during the three and nine months ended June 30, 2006 was \$9.19 per share and \$7.16 per share, respectively. The weighted average grant date fair value of stock options granted during the three and nine months ended June 24, 2005 was \$6.74 per share and \$6.07 per share, respectively. The total intrinsic value of stock options exercised during the three and nine months ended June 30, 2006 was \$2.1 million and \$18.2 million, respectively. The total intrinsic value of stock options exercised during the three and nine months ended June 24, 2005 was \$0.4 million and \$12.0 million, respectively. The total grant date fair value of stock options vested during the three and nine months ended June 30, 2006 was \$252,000 and \$4.9 million, respectively. The total grant date fair value of stock options vested during the three and nine months ended June 24, 2005 was \$223,000 and \$6.9 million, respectively.

Cash received from stock option exercises for the three and nine months ended June 30, 2006 was \$2.0 million and was \$21.7 million, respectively. The actual tax benefit realized for the tax deductions from option exercise of the Company's fixed stock option plans was \$267,000 and \$2.2 million for the three and nine months, respectively, ended June 30, 2006.

Restricted Stock Plan

Under the 2005 Restricted Stock Plan the Company is authorized to issue up to 2,250,000 restricted stock units or restricted shares of common stock to employees and independent contractors. The 2005 Plan was established to replace, on substantially the same terms and conditions, the 1999 Plan. During the three months ended March 31, 2006, this plan was amended to allow the issuance of restricted stock units as retention measures for certain employees of the Company. In addition, the Company, through its wholly owned Canadian subsidiary, established a trust fund which is associated with the 2005 Plan. This trust fund was established and funded to enable the trust fund to acquire Company common stock in the open market to be used to settle restricted stock units granted as a retention vehicle for certain employees of the Canadian subsidiary. Awards under this plan may be granted by the Company in connection with initial employment or under various retention plans for individuals who are responsible for a contribution to the management growth, and/or profitability of the Company. These awards are forfeitable in the event of termination other than for death, disability or retirement. The compensation cost is recognized over the vesting period of the awards and is calculated as the market value of the awards on the date of grant. The following activity occurred during the nine months ended June 30, 2006:

| | Shares/Units | Weighted Average Grant Date Fair Value (\$) |
|-----------------------------------|--------------|--|
| Nonvested at October 1, 2005 | 1,022,043 | \$16.02 |
| Granted | 653,243 | 21.70 |
| Vested | (43,052) | 13.44 |
| Canceled | - | - |
| Nonvested at December 31, 2005 | 1,632,234 | \$18.35 |
| Granted | 219,874 | 29.41 |
| Vested | (93,202) | 14.81 |
| Canceled | (22,703) | 19.81 |
| Nonvested at March 31, 2006 | 1,736,203 | \$19.98 |
| Granted | 228,594 | 29.63 |
| Vested | (76,628) | 13.47 |
| Canceled | (17,965) | 17.94 |
| Nonvested at June 30, 2006 | 1,870,204 | \$21.46 |

The Company's net income for the three months ended June 30, 2006 includes \$1.9 million of compensation costs and \$749,000 of income tax benefits related to the Company's Restricted Stock Plan. The Company's net income for the three months ended June 24, 2005 includes \$1.1 million of compensation costs and \$401,000 of income tax benefits related to this plan.

The Company's net income for the nine months ended June 30, 2006 includes \$5.5 million of compensation costs and \$2.1 million of income tax benefits related to the Company's Restricted Stock Plan. The Company's net income for the nine months ended June 24, 2005 includes \$3.0 of compensation costs and \$1.1 million of income tax benefits related to this plan.

As of June 30, 2006, there was \$31.3 million of total unrecognized compensation cost related to grants under the Company's Restricted Stock Plan. These costs are expected to be recognized over a weighted average period of approximately 3.8 years. The total fair value of shares vested under this plan during the three months and nine months ended June 30, 2006 was \$1.0 million and \$3.0 million, respectively.

Employee Stock Purchase Plan

Under the 2003 Employee Stock Purchase Plan, the Company is authorized to issue up to 3,375,000 shares of common stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the Plan, employees can choose each year to have up to 20% of their annual compensation specified to purchase the Company's common stock. Share purchases in any calendar year are limited to the lesser of 1,000 shares or shares with a market value of \$25,000. The purchase price of the stock is 85% of the market price on the day prior to the purchase date. Under the Plan, and its expired predecessor plan, the Company sold approximately 97,000 and 178,000 shares to employees during the three months ended June 30, 2006 and June 24, 2005, respectively. The compensation cost is calculated as the value of the 15% discount from market value and was \$426,000 and \$483,000 during the three months ended June 30, 2006 and June 24, 2005, respectively. The Company sold approximately 273,000 and 401,000 shares to employees during the nine months ended June 30, 2006 and June 24, 2005, respectively. The compensation cost is calculated as the value of the 15% discount from market value and was \$1,160,000 and \$1,164,000 during the nine months ended June 30, 2006 and June 24, 2005, respectively.

Stock Bonus Plan

The Company's 1999 Stock Bonus Plan authorizes the Company to issue up to 2,250,000 restricted shares to officers and certain other employees in lieu of cash for 10% to 20% of annual bonus amounts in excess of \$250,000. The determination of the number of shares to be granted may encompass a discount from market value at the discretion of the Compensation Committee of the Board of Directors. Under the plan the shares are generally restricted for a three year period, during which time the shares are forfeitable in the event of voluntary termination. The compensation cost is recognized over the three-year vesting period based on the market value of the shares on the date of grant. The following activity occurred during the nine months ended June 30, 2006:

| | Shares | Weighted Average Grant Date Fair Value (\$) |
|-------------------|-----------|--|
| Nonvested at | | |
| October 1, 2005 | 862,026 | \$17.38 |
| Granted | 393,135 | 24.87 |
| Vested | (264,468) | 13.95 |
| Canceled | (2,377) | - |
| Nonvested at | | |
| December 31, 2005 | 988,316 | \$21.32 |
| Granted | 20,019 | 28.65 |
| Vested | (1,543) | 11.32 |
| Canceled | (5,158) | - |
| Nonvested at | | |
| March 31, 2006 | 1,001,634 | \$21.16 |
| Granted | - | - |
| Vested | - | - |
| Canceled | (4,916) | - |
| Nonvested at | | |
| June 30, 2006 | 996,718 | \$21.40 |

The Company's net income for the three months ended June 30, 2006 includes \$1.8 million of compensation costs and \$694,000 of income tax benefits related to the Company's Stock Bonus Plan. The Company's net income for the three months ended June 24, 2005 includes \$0.9 million of compensation costs and \$334,000 of income tax benefits related to this plan.

The Company's net income for the nine months ended June 30, 2006 includes \$5.1 million of compensation costs and \$2.0 million of income tax benefits related to the Company's Stock Bonus Plan. The Company's net income for the nine months ended June 24, 2005 includes \$2.7 million of compensation costs and \$1.0 million of income tax benefits related to this plan.

As of June 30, 2006, there was \$10.4 million of total unrecognized compensation cost related to grants under the Company's Stock Bonus Plan. These costs are expected to be recognized over a weighted average period of approximately 1.6 years. There were no shares vested under this plan during the three months ended June 30, 2006. The total fair value of shares vested under this plan during the nine months ended June 30, 2006 was \$3.7 million.

Note 7 - Commitments and Contingencies:

The Company is the lessor in two leveraged commercial aircraft transactions with two major domestic airlines (Delta Air Lines, Inc. "Delta" and Continental Airlines, Inc. "Continental"). The Company's ability to realize its expected return is dependent upon the airlines' ability to fulfill their lease obligations. In the event that the airlines default on their lease commitments and the Trustees for the debt holders are unable to re-lease or sell the planes with adequate terms, the Company would suffer a loss of some or all of its investment. Delta filed for bankruptcy protection on September 14, 2005. Accordingly, the Company recorded a \$6.5 million pretax charge during the three months ended September 30, 2005 to fully reserve the balance of its investment in the leveraged lease of an aircraft to Delta. The Company also took a \$4 million pretax charge in the 2004 fiscal year to partially reserve for this investment. No amount of these charges represents a cash expenditure; however, in the event of a material modification to the lease or foreclosure of the aircraft by the debt holders, certain of the Company's deferred tax payments of up to approximately \$8.2 million could be accelerated. The expected tax payments are currently reflected on the statement of financial condition as a deferred tax liability and are not expected to result in a further charge to earnings.

The Company also has an outstanding leveraged lease with Continental valued at \$11.1 million as of June 30, 2006. The Company's equity investment represented 20% of the aggregate purchase price; the remaining 80% was funded by public debt issued in the form of equipment trust certificates. The residual value of the aircraft at the end of the lease term of approximately 17 years is projected to be 15% of the original cost. This lease expires in September 2013.

Although Continental remains current on its lease payments to the Company, the inability of Continental to make its lease payments, or the termination of the lease through a bankruptcy proceeding, could result in the write-down of the Company's investment and the acceleration of certain income tax payments. Given the difficult economic environment for the airline industry, the Company is closely monitoring this investment for specific events or circumstances that would allow for a reasonable estimation of any potential impairment.

Raymond James Bank, F.S.B. ("RJBank") has outstanding at any time a significant number of commitments to extend credit. These arrangements are subject to strict credit control assessments and each client's credit worthiness is evaluated on a case-by-case basis. A summary of commitments to extend credit and letters of credit outstanding are as follows:

| | June 30, 2006 | September 30, 2005 |
|---|---------------|--------------------|
| | (in 000's) | |
| Standby letters of credit | \$ 46,633 | \$ 15,933 |
| Consumer lines of credit | 23,281 | 21,326 |
| Commercial lines of credit | 587,619 | 168,804 |
| Unfunded loan commitments - variable rate | 418,673 | 288,169 |
| Unfunded loan commitments - fixed rate | 10,835 | 11,402 |

Because many commitments expire without being funded in whole or part, the contract amounts are not estimates of future cash flows.

In the normal course of business, RJBank issues, or participates in the issuance of, financial standby letters of credit whereby it provides an irrevocable guarantee of payment in the event the letter of credit is drawn down by the beneficiary. As of June 30, 2006, \$46.6 million of such letters of credit were outstanding. Of the letters of credit outstanding, \$45.3 million are underwritten as part of a larger corporate credit relationship, and the remaining \$1.3 million are fully secured by cash or securities. In the event that a letter of credit is drawn down, RJBank would pursue repayment from the account party under the existing borrowing relationship, or would liquidate collateral, or both. The proceeds from repayment or liquidation of collateral are expected to cover the maximum potential amount of any future payments of amounts drawn down under the existing letters of credit.

At June 30, 2006 and September 30, 2005, no securities were pledged by RJBank as collateral with the FHLB for advances. In lieu of pledging securities as collateral for advances, RJBank provided the FHLB with a lien against RJBank's portfolio of residential mortgage loans.

As part of an effort to increase brand awareness, the Company entered into a stadium naming rights contract in July 1998. The contract expires in 2016 and has a 4% annual escalator. Expenses of \$735,605 and \$707,313 were recognized in the three months ended June 30, 2006 and June 24, 2005, respectively.

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such commitments that were open at June 30, 2006 and were subsequently settled had no material effect on the consolidated financial statements as of that date.

The Company utilizes client marginable securities to satisfy deposits with clearing organizations. At June 30, 2006 and September 30, 2005, the Company had client margin securities valued at \$78.3 million and \$93.4 million, respectively, on deposit with a clearing organization.

The Company has guaranteed lines of credit for various foreign joint ventures as follows: two lines of credit totaling \$12.5 million in Turkey and one line of credit totaling \$3 million in Argentina. At June 30, 2006, there were no outstanding balances on the lines of credit in Turkey and Argentina. The Company has also from time to time authorized guarantees for the completion of trades with counterparties in Argentina and Turkey. At June 30, 2006 there were outstanding guarantees for a maximum of \$5 million in Turkey and no guarantees were outstanding for Argentina.

The Company has committed to lend \$1.7 million to CSS in four equal installments beginning in April 2006, the last of which is due in December 2006. CSS was formed by a group of broker-dealer firms, including the Company, to develop a back-office software system.

The Company has committed a total of \$42.6 million, in amounts ranging from \$200,000 to \$2.0 million, to 40 different independent venture capital or private equity partnerships. As of June 30, 2006, the Company had invested \$28.8 million of that amount. Additionally, the Company is the general partner in two internally sponsored private equity limited partnerships to which it has committed \$14 million. Of that amount, the Company has invested \$11.1 million as of June 30, 2006.

The Company is the general partner in EIF Funds. These limited partnerships invest in the merchant banking and private equity activities of the Company and other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain qualified key employees of the Company. At June 30, 2006, the Company has \$5.1 million committed to these funds.

At June 30, 2006, the approximate market values of collateral received that can be repledged by the Company, were:

Sources of collateral (in 000's):

| | |
|--|--------------------|
| Securities purchased under agreements to resell | \$ 431,334 |
| Securities received in securities borrowed vs. cash transactions | 1,076,708 |
| Collateral received for margin loans | 1,500,173 |
| Total | <u>\$3,008,215</u> |

During the quarter certain collateral was repledged. At June 30, 2006, the approximate market values of this portion of collateral and financial instruments owned that were repledged by the Company, were:

Uses of collateral and trading securities (in 000's):

| | |
|--|--------------------|
| Securities purchased under agreements to resell | \$ 431,334 |
| Securities received in securities borrowed vs. cash transactions | 1,050,153 |
| Collateral received for margin loans | 397,752 |
| Total | <u>\$1,879,239</u> |

In the normal course of business, certain subsidiaries of the Company act as general partner and may be contingently liable for activities of various limited partnerships. These partnerships engaged primarily in real estate activities. In the opinion of the Company, such liabilities, if any, for the obligations of the partnerships will not in the aggregate have a material adverse effect on the Company's consolidated financial position.

The Company guarantees the existing mortgage debt of RJF of approximately \$68 million. The Company may guarantee interest rate swap obligations of RJ Capital Services, Inc. The Company has also committed to lend to or guarantee obligations of RJTCF of up to \$90.0 million upon request, subject to certain limitations as well as annual review and renewal. RJTCF borrows in order to invest in partnerships which purchase and develop properties qualifying for tax credits. These investments in project partnerships are then sold to various tax credit funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells these investments within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings. Additionally, RJTCF may make short-term loans or advances to project partnerships on behalf of the tax credit funds in which it serves as managing member or general partner. At June 30, 2006, cash funded to invest in either loans or investments in project partnerships was \$46.0 million. In addition, at June 30, 2006, RJTCF is committed to additional future fundings of \$42.8 million related to project partnerships that have not yet been sold to various tax credit funds.

The Company is a defendant or co-defendant in various lawsuits and arbitrations incidental to its securities business. Like others in the retail securities industry, the Company experienced a significant increase in the number of claims seeking recovery due to portfolio losses in the early 2000's. During the past two years, the number of claims has declined but is still above long-term historic levels.

As previously reported, RJF and Raymond James Financial Services, Inc. ("RJFS") are defendants in a series of lawsuits and arbitrations relating to an alleged mortgage lending program known as the "Premiere 72" program, that was administered by a company owned in part by two individuals who were registered as Financial Advisors with RJFS in Houston. In July 2005, RJFS paid approximately \$24 million in a settlement with approximately 380 claimants in this litigation, representing approximately two-thirds of the outstanding claims. The Company estimates that the value of the claims resolved also represents approximately two-thirds of the value of the total claims and has made adjustments to its litigation reserves to give effect to the estimated impact of the settlement. Several of the arbitration claims relating to this matter had been previously settled by RJFS for amounts consistent with its evaluation of those claims. The remaining lawsuits are pending in five state courts; three of the suits have been consolidated for pretrial purposes, and one of those has been set for trial in October 2006. In June 2006, the Texas First Circuit Court of Appeals overturned orders denying motions to compel arbitration of approximately one half of these claims, and those plaintiffs have agreed to refile their claims in arbitration. Initial motions to compel arbitration of some of the plaintiffs' claims in the two non-consolidated cases are pending.

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

Note 8 - Capital Transactions:

The following table presents information on a monthly basis for purchases of the Company's stock for the quarter ended June 30, 2006:

| Period | Number of Shares Purchased ⁽¹⁾ | Average Price Per Share |
|--------------------------------|--|------------------------------------|
| April 1, 2006 - April 30, 2006 | - | - |
| May 1, 2006 - May 31, 2006 | - | - |
| June 1, 2006 - June 30, 2006 | 1,410 | 28.56 |
| Total | 1,410 | \$28.56 |

- (1) The Company does not have a formal stock repurchase plan. Shares are repurchased at the discretion of management pursuant to prior authorization from the Board of Directors. On May 20, 2004, the Board of Directors authorized purchases of up to \$75 million. Since that date 389,263 shares have been repurchased for a total of \$7.3 million, leaving \$67.7 million available to repurchase shares. Historically the Company has considered such purchases when the price of its stock reaches or approaches 1.5 times book value or when employees surrender shares as payment for option exercises. The decision to repurchase shares is subject to cash availability and other factors. During June 2006, the Company only purchased shares that were surrendered by employees as payment for option exercises.

Note 9 - Regulation and Capital Requirements:

Certain broker-dealer subsidiaries of the Company are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. Raymond James & Associates, Inc. ("RJA"), a member firm of the New York Stock Exchange ("NYSE"), is also subject to the rules of the NYSE, whose requirements are substantially the same. Rule 15c3-1 requires that aggregate indebtedness, as defined, not to exceed fifteen times net capital, as defined. Rule 15c3-1 also provides for an "alternative net capital requirement", which both RJA and RJFS have elected. It requires that minimum net capital, as defined, be equal to the greater of \$250,000 or two percent of Aggregate Debit Items arising from client transactions. The NYSE may require a member firm to reduce its business if its net capital is less than four percent of Aggregate Debit Items and may prohibit a member firm from expanding its business and declaring cash dividends if its net capital is less than five percent of Aggregate Debit Items. The net capital position of RJA at June 30, 2006 and September 30, 2005 was as follows:

| | June 30, 2006 | September 30, 2005 |
|--|----------------------|-----------------------|
| Raymond James & Associates, Inc.: | (\$ in 000's) | |
| (alternative method elected) | | |
| Net capital as a percent of Aggregate | | |
| Debit Items | 23.6% | 27.8% |
| Net capital | \$ 336,470 | \$ 372,615 |
| Less: required net capital | (28,536) | (26,804) |
| Excess net capital | \$ 307,934 | \$ 345,811 |

At June 30, 2006 and September 30, 2005, RJFS had no Aggregate Debit Items and therefore the minimum net capital of \$250,000 was applicable. The net capital position of RJFS at June 30, 2006 and September 30, 2005 was as follows:

| | June 30, 2006 | September 30, 2005 |
|--|-------------------|-----------------------|
| Raymond James Financial Services, Inc.: | (in 000's) | |
| (alternative method elected) | | |
| Net capital | \$ 58,504 | \$ 41,851 |
| Less: required net capital | (250) | (250) |
| Excess net capital | \$ 58,254 | \$ 41,601 |

Raymond James Ltd. ("RJ Ltd.") is subject to the Minimum Capital Rule (By-Law No. 17 of the Investment Dealers Association ("IDA")) and the Early Warning System (By-Law No. 30 of the IDA). The Minimum Capital Rule requires that every member shall have and maintain at all times Risk Adjusted Capital greater than zero calculated in accordance with Form 1 (Joint Regulatory Financial Questionnaire and Report) and with such requirements as the Board of Directors of the IDA may from time to time prescribe. Insufficient Risk Adjusted Capital may result in suspension from membership in the stock exchanges or the IDA.

The Early Warning System is designed to provide advance warning that a member firm is encountering financial difficulties. This system imposes certain sanctions on members who are designated in Early Warning Level 1 or Level 2 according to their capital, profitability, liquidity position, frequency of designation or at the discretion of the IDA. Restrictions on business activities and capital transactions, early filing requirements, and mandated corrective measures are sanctions that may be imposed as part of the Early Warning System. The Company was not in Early Warning Level 1 or Level 2 at June 30, 2006 or September 30, 2005.

The Risk Adjusted Capital of RJ Ltd. was CDN\$33,023,319 and CDN\$25,482,000 at June 30, 2006 and September 30, 2005, respectively.

RJBank is subject to various regulatory and capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJBank must meet specific capital guidelines that involve quantitative measures of RJBank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. RJBank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require RJBank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I Capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes that, as of June 30, 2006 and September 30, 2005, the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2006, the most recent notification from the Office of Thrift Supervision categorized RJBank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", RJBank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed RJBank's category.

| | Actual | | Requirement for capital adequacy purposes | | To be well capitalized under prompt corrective action provisions | |
|--|------------|-------|---|-------|--|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| (\$ in 000's) | | | | | | |
| As of June 30, 2006: | | | | | | |
| Total capital (to risk-weighted assets) | \$ 188,971 | 14.0% | \$ 108,165 | 8.0% | \$ 135,207 | 10.0% |
| Tier I capital (to risk-weighted assets) | 172,070 | 12.7% | 54,083 | 4.0% | 81,124 | 6.0% |
| Tier I capital (to adjusted assets) | 172,070 | 8.2% | 84,074 | 4.0% | 105,093 | 5.0% |

| | Actual | | Requirement for capital adequacy purposes | | To be well capitalized under prompt corrective action Provisions | |
|--|------------|-------|---|-------|--|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| (\$ in 000's) | | | | | | |
| As of September 30, 2005: | | | | | | |
| Total capital (to risk-weighted assets) | \$ 173,466 | 24.9% | \$55,685 | 8.0% | \$69,606 | 10.0% |
| Tier I capital (to risk-weighted assets) | 165,874 | 23.8% | 27,842 | 4.0% | 41,764 | 6.0% |
| Tier I capital (to adjusted assets) | 165,874 | 12.6% | 52,628 | 4.0% | 65,785 | 5.0% |

Note 10 - Earnings Per Share:

The following table presents the computation of basic and diluted earnings per share (in 000's, except per share amounts):

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | June 30, 2006 | June 24, 2005 | June 30, 2006 | June 24, 2005 |
| Net income | \$56,774 | \$ 32,382 | \$163,414 | \$ 106,322 |
| Weighted average common shares outstanding during the period* | 113,464 | 110,495 | 112,376 | 109,980 |
| Dilutive effect of stock options and awards* (1) | 3,496 | 2,887 | 3,180 | 3,260 |
| Weighted average diluted common shares* (1) | 116,960 | 113,382 | 115,556 | 113,240 |
| Net income per share - basic | \$0.50 | \$ 0.29 | \$1.45 | \$ 0.97 |
| Net income per share - diluted (1) | \$0.48 | \$ 0.29 | \$1.41 | \$ 0.94 |
| Securities excluded from weighted average common shares because their effect would be antidilutive* | - | 1,095 | - | 1,023 |

* Share amounts adjusted, as necessary, for the March 22, 2006 3-for-2 stock split.

- (1) Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include stock options, units and awards.

Note 11 - Other Comprehensive Income:

Total comprehensive income for the three and nine months ended June 30, 2006 and June 24, 2005 is as follows (in 000's):

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | June 30, 2006 | June 24, 2005 | June 30, 2006 | June 24, 2005 |
| Net income | \$56,774 | \$ 32,382 | \$163,414 | \$ 106,322 |
| Other comprehensive income: | | | | |
| Unrealized gain (loss) on securities available for sale, net of tax | 35 | (90) | (88) | 21 |
| Unrealized gain on interest rate swaps accounted for as cash flow hedges, net of tax | 2 | 246 | 44 | 835 |
| Foreign currency translation adjustment | 2,689 | (1,021) | 1,348 | 498 |
| Total comprehensive income | \$59,500 | \$ 31,517 | \$164,718 | \$ 107,676 |

Note 12 - Derivative Financial Instruments:

The Company makes limited use of derivative financial instruments in certain of its businesses. Certain derivative financial instruments have been used to manage well-defined interest rate risk at RJBank, while others are used in the conduct of the Company's fixed income business.

The Company uses interest rate derivative contracts, primarily interest rate swaps, as part of its fixed income business. The Company enters into interest rate swaps to reduce interest rate risk associated with maintaining certain fixed income trading inventories. The Company also enters into interest rate swaps with institutional clients to assist them with their management of interest rate risk. The Company reduces its exposure to interest rate risk arising from such client transactions by entering into offsetting interest rate derivative contracts with market counterparties. All positions are marked to market with the gain or loss and related interest recorded in Net Trading Profits within the statement of operations for the period. Any collateral exchanged as required by collateral support agreements in conjunction with certain interest rate derivatives is recorded in Broker Receivables and Payables within the statement of financial condition for the period. At June 30, 2006 and September 30, 2005, the Company had outstanding interest rate derivative contracts with notional amounts of \$2.2 billion and \$1.7 billion, respectively. The notional amount of an interest rate swap is not a principal amount and does not change hands; it is simply used as a reference to calculate the exchange of interest payments. Accordingly, the notional amount of the Company's interest rate derivatives outstanding at June 30, 2006 significantly exceeds the likely possible losses that could arise from such transactions. The net market value of all open interest rate derivative positions at June 30, 2006 and September 30, 2005 was \$22 million and \$10 million, respectively.

RJBank uses variable-rate deposits to finance the purchase of certain loan pools that are fixed for the first five years of their life. The funding sources expose RJBank to variability in interest payments due to changes in interest rates. Management has used derivative financial instruments to hedge exposure to the variability of its interest payments by entering into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps change the variable-rate cash flow exposure on the funding sources to fixed cash flows. Under the terms of the interest rate swaps, RJBank received variable interest rate payments and made fixed interest rate payments, thereby creating the equivalent of fixed-rate funding. During the three months ended June 30, 2006, RJBank's sole remaining interest rate swap agreement expired. At September 30, 2005, RJBank was party to \$11.5 million in notional amount of interest rate swap agreements. RJBank had cash of \$0.9 million pledged or held as interest-bearing collateral for such agreements at September 30, 2005.

Changes in the fair value of a derivative that is highly effective, as defined by SFAS 133, and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income until earnings are affected by the variability in cash flows of the designated hedged item. Any ineffectiveness resulting from the cash flow hedge is recorded in income or expense at the end of each reporting period. For purposes of the statement of cash flows, any ineffectiveness resulting from the cash flow hedge is subtracted or added back in the reconciliation of net income to cash provided by operating activities at the end of each reporting period. When hedge accounting is discontinued, RJBank continues to carry the derivative at its fair value in the statement of financial condition, and recognizes any changes in its fair value in earnings. For the three and nine months ended June 30, 2006 and June 24, 2005, RJBank had an immaterial impact on the Condensed Consolidated Statement of Operations from ineffective cash flow hedges and transition adjustments.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its interest rate swap agreements. The Company performs a credit evaluation of counterparties prior to entering into swap transactions. Currently, the Company anticipates that all counterparties will be able to fully satisfy their obligations under those agreements. The Company may require collateral from counterparties to support these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties. However, state laws prohibit certain municipalities and other governmental entities from posting collateral in these transactions. For additional discussion regarding the Company's objectives and strategies relative to derivative instruments in the context of the Company's overall risk management strategy, refer to the Market Risk section in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" included in the Company's Annual Report on Form 10-K for the year ended September 30, 2005.

Note 13 - Segment Information:

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Reclassifications have been made in the segment disclosures for the nine months ended June 24, 2005 to conform to the current period presentation.

The Company currently operates through the following seven business segments: Private Client Group; Capital Markets; Asset Management; RJBank; Emerging Markets; Stock Loan/Borrow and various corporate investments combined in the "Other" segment. The business segments are based upon factors such as the services provided and the distribution channels served and are consistent with how the Company assesses performance and determines how to allocate resources throughout the Company and its subsidiaries. The financial results of the Company's segments are presented using the same policies as those described in Note 1 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2005. Segment data includes charges allocating corporate overhead and benefits to each segment. Intersegment revenues, charges, receivables and payables are eliminated between segments upon consolidation.

The Private Client Group segment includes the retail branches of the Company's broker-dealer subsidiaries located throughout the United States, Canada and the United Kingdom. These branches provide securities brokerage services including the sale of equities, mutual funds, fixed income products and insurance products to their individual clients. The segment includes net interest earnings on client margin loans and cash balances. Additionally, this segment includes the correspondent clearing services that the Company provides to other broker-dealer firms.

The Capital Markets segment includes institutional sales and trading in the United States, Canada and Europe. It provides securities brokerage, trading, and research services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. This segment also includes the Company's management of and participation in underwritings, merger and acquisition services, public finance activities, and the operations of Raymond James Tax Credit Funds.

The Asset Management segment includes investment portfolio management services of Eagle Asset Management, Inc., Awad Asset Management, Inc., and Raymond James Consulting Services (RJA's asset management services division), mutual fund management by Heritage Asset Management, Inc., private equity management by Raymond James Capital, Inc. and RJ Ventures, LLC, and trust services of Raymond James Trust Company and Raymond James Trust Company West. In addition to the asset management services noted above, this segment also offers fee-based programs to clients who have contracted for portfolio management services from outside money managers.

RJBank is a separate segment, which provides consumer, residential, and commercial loans, as well as FDIC-insured deposit accounts to clients of the Company's broker-dealer subsidiaries and to the general public.

The Emerging Markets segment includes various joint ventures in Argentina, India, Turkey, and Uruguay. These joint ventures operate in securities brokerage, investment banking and asset management.

The Stock Loan/Borrow segment involves the borrowing and lending of securities from and to other broker-dealers, financial institutions and other counterparties, generally as an intermediary.

The Other segment includes various investments of the Company.

Information concerning operations in these segments of business is as follows (in 000's):

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|--------------------|--------------------|
| | June 30, | June 24, | June 30, | June 24, |
| | 2006 | 2005 | 2006 | 2005 |
| | (000's) | | (000's) | |
| Revenues: | | | | |
| Private Client Group | \$ 458,622 | \$ 341,010 | \$ 1,251,272 | \$ 1,019,478 |
| Capital Markets | 133,004 | 107,378 | 361,796 | 331,202 |
| Asset Management | 51,384 | 43,689 | 146,459 | 125,661 |
| RJBank | 28,457 | 12,243 | 68,975 | 31,046 |
| Emerging Markets | 17,511 | 8,213 | 43,360 | 27,521 |
| Stock Loan/Borrow | 16,850 | 8,797 | 42,605 | 21,386 |
| Other | 5,529 | 5,032 | 29,055 | 6,772 |
| Total | \$ 711,357 | \$ 526,362 | \$1,943,522 | \$1,563,066 |
| Income Before Provision for Income | | | | |
| Taxes and Minority Interest: | | | | |
| Private Client Group | \$ 54,246 | \$ 17,989 | \$ 129,588 | \$ 81,634 |
| Capital Markets | 20,904 | 15,210 | 57,564 | 45,504 |
| Asset Management | 12,955 | 10,292 | 35,072 | 29,107 |
| RJBank | 4,632 | 3,379 | 10,058 | 9,457 |
| Emerging Markets | 3,830 | 1,222 | 7,393 | 3,960 |
| Stock Loan/Borrow | 2,422 | 2,046 | 6,970 | 4,381 |
| Other | (2,487) | 1,338 | 16,502 | 367 |
| Pre-tax Income | 96,502 | 51,476 | 263,147 | 174,410 |
| Minority Interest | (2,173) | (512) | (6,734) | 2,178 |
| Total | \$ 94,329 | \$ 50,964 | \$ 256,413 | \$ 176,588 |

The following table presents the Company's total assets on a segment basis:

| | June 30, 2006 | September 30, 2005 |
|------------------------|------------------|-----------------------|
| | (000's) | |
| Total Assets: | | |
| Private Client Group * | \$ 5,441,617 | \$ 4,528,048 |
| Capital Markets ** | 1,460,432 | 1,032,815 |
| Asset Management | 74,907 | 74,418 |
| RJBank | 2,130,268 | 1,327,675 |
| Emerging Markets | 93,004 | 91,550 |
| Stock Loan/Borrow | 1,352,621 | 1,147,314 |
| Other | 237,919 | 156,949 |
| Total | \$10,790,768 | \$ 8,358,769 |

* Includes \$46 million of goodwill allocated pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets".

** Includes \$17 million of goodwill allocated pursuant to SFAS No. 142.

The Company has operations in the United States, Canada, Europe and joint ventures in India, Turkey, and Argentina. Substantially all long-lived assets are located in the United States. The following table represents revenue by country (in 000's):

| | Three Months Ended | | Nine Months Ended | |
|------------------|--------------------|-------------------|---------------------|---------------------|
| | June 30, | June 24, | June 30, | June 24, |
| | 2006 | 2005 | 2006 | 2005 |
| | (000's) | | (000's) | |
| Revenues: | | | | |
| United States | \$ 623,911 | \$ 473,619 | \$ 1,687,476 | \$ 1,395,258 |
| Canada | 59,157 | 36,129 | 175,756 | 116,620 |
| Europe | 11,814 | 9,766 | 39,760 | 27,692 |
| Other | 16,475 | 6,848 | 40,530 | 23,496 |
| Total | \$ 711,357 | \$ 526,362 | \$ 1,943,522 | \$ 1,563,066 |

While the dollar amount invested in emerging market joint ventures is only \$5.9 million, these investments carry greater risk than amounts invested in developed markets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business and Total Company Overview

The following Management's Discussion and Analysis is intended to help the reader understand the results of operations and the financial condition of the Company. Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, the Company's financial statements and accompanying notes to the financial statements.

The Company's overall financial results continue to be highly and directly correlated to the direction and activity levels of the U.S. equity markets. Despite the consistent increases in short-term interest rates and rapidly increasing oil prices, positive recruiting results in the private client group, a strong pipeline in investment banking, increased assets under management, and growth at RJBank should augur well for continued strong revenues.

Results of Operations - Three Months Ended June 30, 2006 Compared with the Three Months Ended June 24, 2005

Total Company

Net revenues of \$629,668,000 represented a 28% increase over the prior year quarter with increases in revenues from all segments contributing to a fourth consecutive record revenue quarter. Net interest income increased \$10.6 million, or 32%, as a result of both increased balances and rates. Securities commissions and fees increased 22% with the majority of that increase in the Private Client Group, reflecting strong employee recruiting results. Financial service fees increased \$17.8 million or 87%, \$8.2 million of which related to a one-time adjustment to change the recording of certain fees, primarily Individual Retirement Account ("IRA") fees from a cash basis to an accrual basis. The remaining increase relates to the growth in the number of IRAs and other accounts that generate fees, new fees and the recording of certain fees on a gross basis (the offsetting expense, approximately \$2 million, being recorded in clearance and floor brokerage). The 44% increase in investment banking fees is the result of an increase in the number of underwriting deals to 34 from 23 in the same quarter of the prior year. Investment advisory fees increased 20%, tracking a 21% increase in assets under management over the prior June. The increase in other income is the result of increased mutual fund education and sponsorship fees. Non-interest expenses were up 21% over the same quarter prior year. Compensation expense increased 23%, in line with the increase in securities commissions and fees. Occupancy and business development include expenses associated with opening new private client group offices, increased advertising and recruiting Financial Advisors. Significant operating leverage was evident, as net income for the quarter was 75% higher than for the same quarter in the prior year. As discussed above, the Company's results include a one-time adjustment to financial service fees related to a change from recording certain client fees on a cash basis to an accrual basis. Excluding this \$8.2 million favorable adjustment, net revenues were \$621,498,000, up 26% over the prior year, and net income was \$51,709,000 or \$0.44 per diluted share for the quarter, up 52% from the prior year's \$0.29 per diluted share.

Segments

The Company currently operates through the following seven business segments: Private Client Group; Capital Markets; Asset Management; RJBank; Emerging Markets; Stock Loan/Borrow and various corporate investments combined in the "Other" segment.

The following tables present the gross revenues and pre-tax income of the Company on a segment basis (in 000's):

| | Three Months Ended | | |
|-------------------------|--------------------|-------------------|----------------------|
| | June 30, 2006 | June 24, 2005 | Percentage Change |
| Revenues: | | | |
| Private Client Group | \$ 458,622 | \$ 341,010 | 34% |
| Capital Markets | 133,004 | 107,378 | 24% |
| Asset Management | 51,384 | 43,689 | 18% |
| RJBANK | 28,457 | 12,243 | 132% |
| Emerging Markets | 17,511 | 8,213 | 113% |
| Stock Loan/Stock Borrow | 16,850 | 8,797 | 92% |
| Other | 5,529 | 5,032 | 10% |
| Total | \$ 711,357 | \$ 526,362 | 35% |

| | Three Months Ended | | |
|--|--------------------|------------------|----------------------|
| | June 30, 2006 | June 24, 2005 | Percentage Change |
| Income Before Provision for Income Taxes and Minority Interest: | | | |
| Private Client Group | \$ 54,246 | \$ 17,989 | 202% |
| Capital Markets | 20,904 | 15,210 | 37% |
| Asset Management | 12,955 | 10,292 | 26% |
| RJBank | 4,632 | 3,379 | 37% |
| Emerging Markets | 3,830 | 1,222 | 213% |
| Stock Loan/Stock Borrow | 2,422 | 2,046 | 18% |
| Other | (2,487) | 1,338 | (286)% |
| Pre-tax Income | 96,502 | 51,476 | 87% |
| Minority Interest | (2,173) | (512) | 324% |
| Total | \$ 94,329 | \$ 50,964 | 85% |

Private Client Group

The Private Client Group segment includes the retail branches of the Company's broker-dealer subsidiaries located throughout the United States, Canada, and the United Kingdom. The Private Client Group Financial Advisors provide securities brokerage services including the sale of equity securities, mutual funds, fixed income instruments, annuities and insurance products. This segment accounts for the majority of the Company's revenues (64% of total company revenues for the three months ended June 30, 2006). It generates revenues principally through commissions charged on securities transactions, fees from wrap fee investment accounts and the interest revenue generated from client margin loans and cash balances. The Company charges commissions to its Private Client Group clients based on commission schedules or through asset-based fee alternatives that clients can elect as an alternative to traditional commissions.

The success of the Private Client Group is dependent upon the quality and integrity of its Financial Advisors and other associates and the Company's ability to attract, retain, and motivate a sufficient number of these associates. The Company faces competition for qualified associates from major financial services companies, including other brokerage firms, insurance companies, banking institutions, and discount brokerage firms. The Company currently offers several alternatives for Financial Advisors ranging from the traditional branch setting, under which the Financial Advisors are employees of the Company and the costs associated with running the branch are incurred by the Company, to the independent contractor model, under which the Financial Advisors are responsible for all of their own direct costs. Accordingly, the independent contractor Financial Advisors are paid a larger percentage of commissions and fees. By offering alternative models to potential and existing Financial Advisors, the Company is able to effectively compete with other brokerage firms for qualified Financial Advisors, as Financial Advisors can choose the model that best suits their practice and profile. For the past two years, the Company has focused on increasing its minimum production standards and recruiting Financial Advisors with high average production. The following table presents a summary of Private Client Group Financial Advisors as of the periods indicated:

| | June 30, 2006 | March 31, 2006 | June 24, 2005 |
|---|------------------|-------------------|------------------|
| Private Client Group - Financial Advisors: | | | |
| Traditional Branch | 1,242 | 1,192 | 1,076 |
| Independent Contractor | 3,439 | 3,479 | 3,554 |
| Total Financial Advisors | 4,681 | 4,671 | 4,630 |

Private Client Group pre-tax profits were up over 200% (\$36 million) on a 34% increase in revenues over the same quarter in the prior year. These results include strong recruiting results in the domestic employee model, significantly lower legal expenses and a 25% increase in net interest earnings. In addition, the aforementioned adjustment of \$8.2 million to financial service fees was included in this segment's revenues. RJA has been highly successful in recruiting Financial Advisors, with a net increase of 149 since June 2005. This increase is particularly significant as the Financial Advisors recruited have generally been large producers. RJA has also opened 39 new office locations since June 2005. While this growth generated increases in commission revenue, it also resulted in significant increases in the related expenses associated with Financial Advisors' bonuses, account transfer fees, and branch opening costs. Due to the decrease in legal costs and increased net interest, the Private Client Group margins have more than doubled despite these increased recruiting costs.

Of the Company's \$44 million dollars in net interest income for the most recent quarter, nearly \$28 million was attributable to the Private Client Group. Net interest generated by customer balances, predominantly the net of earnings on margin loans and assets segregated pursuant to federal regulations less interest paid on customer cash balances, are credited to the Private Client Group. Balances in these accounts, as well as the associated rates, have increased since the prior year resulting in a \$5 million, or 25%, increase in net interest in this segment.

| | Three Months Ended | | |
|--------------------------|--------------------|-------------------|------------------|
| | June 30, 2006 | March 31, 2006 | June 24, 2005 |
| | (\$ in millions) | | |
| Client Margin Accounts: | | | |
| Average Balance | \$ 1,214 | \$ 1,199 | \$ 1,105 |
| Average Rate | 7.89% | 7.42% | 5.88% |
| Assets Segregated: | | | |
| Average Balance | \$ 3,240 | \$ 2,968 | \$ 2,391 |
| Average Rate | 4.99% | 4.53% | 2.99% |
| Client Interest Program: | | | |
| Average Balance | \$ 3,564 | \$ 3,348 | \$ 2,847 |
| Average Rate | 4.20% | 3.74% | 2.23% |

Capital Markets

The Capital Markets segment includes institutional sales and trading in the United States, Canada, and Europe; management of and participation in underwritings; financial advisory services including private placements and merger and acquisition services; public finance activities; and the syndication and related management of investment partnerships designed to yield returns in the form of low-income housing tax credits to institutions. The Company provides securities brokerage services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. Institutional sales commissions account for the majority of the segment's revenue and are driven primarily through trade volume, resulting from a combination of general market activity and by the Capital Markets group's ability to find attractive investment opportunities and promote those opportunities to potential and existing clients. Revenues from investment banking activities are driven principally by the number and the dollar value of the transactions with which the Company is involved. This segment also includes trading of taxable and tax-exempt fixed income products, as well as equity securities in the OTC and Canadian markets. This trading involves the purchase of securities from, and the sale of securities to, clients of the Company or other dealers who may be purchasing or selling securities for their own account or acting as agent for their clients. Profits and losses related to this trading activity are primarily derived from the spreads between bid and ask prices in the relevant market.

Pre-tax profits in the Capital Markets Group increased \$5.7 million, or 37%, over the same quarter prior year with revenues up \$25.6 million, or 24%. This increase is the combined result of the \$10.4 million increase in underwriting fees and the \$8.8 million increase in commissions - much of which was in RJ Ltd. The increased underwriting fees reflect the increase in the number of offerings reflected in the table below. Merger and acquisition fees were down \$2 million from the same quarter in the prior year.

| | Three Months Ended | |
|--|--------------------|------------------|
| | June 30, 2006 | June 24, 2005 |
| Number of managed/co-managed public equity offerings: | | |
| US | 27 | 20 |
| Canada | 7 | 3 |
| Total dollars raised (in 000's): | | |
| US | \$6,899,588 | \$6,721,247 |
| Canada (in U.S. dollars) | 134,770 | 41,944 |

Asset Management

The Asset Management segment includes investment portfolio management services, mutual fund management, private equity management, and trust services. Investment portfolio management services include both proprietary and selected outside money managers. The majority of the revenue for this segment is generated by the investment advisory fees related to asset management services for individual investment portfolios and mutual funds. These accounts are billed a fee based on a percentage of assets. Investment advisory fees are charged based on either a single point in time within the quarter, typically the beginning or end of a quarter, or the "average daily" balances of assets under management. The balance of assets under management is affected by both the performance of the underlying investments and the new sales and redemptions of client accounts/funds. Improving equity markets provide the Asset Management segment with the potential to improve revenues from investment advisory fees as existing accounts appreciate in value, in addition to individuals and institutions being more likely to commit new funds to the equity markets. The following table presents the assets under management as of the dates indicated:

| | June 30, 2006 | March 31, 2006 | Dec. 31, 2005 | June 24, 2005 |
|---|------------------|-------------------|------------------|------------------|
| Assets Under Management (in 000's): | | | | |
| Eagle Asset Management, Inc. | \$12,335,316 | \$12,727,040 | \$11,583,998 | \$11,198,226 |
| Heritage Family of Mutual Funds | 9,910,089 | 9,581,853 | 8,587,468 | 8,439,054 |
| Raymond James Consulting Services | 7,484,119 | 7,552,451 | 6,886,746 | 6,192,639 |
| Awad Asset Management | 1,071,161 | 1,176,690 | 1,189,863 | 1,189,450 |
| Freedom Accounts | 4,471,471 | 3,832,768 | 3,052,367 | 1,956,063 |
| Total Assets Under Management | 35,272,156 | 34,870,802 | 31,300,442 | 28,975,432 |
| Less: Assets Managed for other internal Asset Management Entities | 3,628,540 | 3,672,474 | 3,250,683 | 2,807,011 |
| Total Third Party Assets Under Management | \$31,643,616 | \$31,198,328 | \$28,049,759 | \$26,168,421 |
| Trust Company Assets Under Administration | \$ 1,247,676 | \$ 1,223,025 | \$ 1,155,358 | \$ 1,041,895 |

Assets Under Management increased 21% over the prior year. This was the combined result of positive net sales, increased asset values from positive investment performance, and assets from clients of newly recruited Financial Advisors transferring large asset balances to the Company's asset management programs. This increase in assets generated an 18% increase in revenues and 26% increase in pre-tax profits within the segment.

RJBank

RJBank provides residential, consumer, and corporate loans, as well as FDIC-insured deposit accounts, to clients of the Company's broker-dealer subsidiaries and to the general public. RJBank also purchases residential whole loan pools, and participates with other banks in corporate loan syndications. RJBank generates revenue principally through the interest income earned on the loans noted above offset by the interest expense it incurs on client deposits and borrowings. RJBank's objective is to maintain a substantially duration-matched portfolio of assets and liabilities.

Net interest earnings at RJBank increased 66% over the prior year quarter as a result of the continued significant growth of its balance sheet. RJBank loan balances increased \$1.01 billion over the same period in the prior year, or 114%, as RJBank invested on a leveraged basis in preparation for the introduction of an additional cash sweep offering to brokerage customers. The first phase of this sweep program was effective in July 2006. The growth in RJBank's asset balances has been made up of purchases of residential mortgage loan pools and participation in large corporate loan syndications. During periods of growth when new loans are originated or purchased, an allowance for loan losses is established for potential losses inherent in those new loans. Accordingly, a robust period of growth generally results in charges to earnings in that period, while the benefits of higher interest earnings are realized in later periods. During the quarter ended June 30, 2006 RJBank re-evaluated and implemented changes to its loan loss reserve methodology in conjunction with a revision to the corporate loan grading process. The new loan grading process provides more specific and detailed risk measurement across the corporate loan portfolio. This change resulted in a modest decrease in the loan loss reserve as a percentage of total loans. In anticipation of growth in RJBank customer deposits as a result of the newly introduced sweep option, RJBank intends to continue to grow its loan portfolio.

Emerging Markets

Emerging Markets includes the results of the Company's joint venture operations in India, Latin America and Turkey. The quarter ended June 30, 2006 included a significant underwriting fee (\$3 million) in Latin America, increased commissions in both Turkey and Latin America, and increased trading profits in Turkey.

Stock Loan/Stock Borrow

This segment conducts its business through the borrowing and lending of securities from and to other broker-dealers, financial institutions and other counterparties, generally as an intermediary. The borrower of the securities puts up a cash deposit, commonly 102% of the market value of the securities, on which interest is earned. Accordingly, the lender receives cash and pays interest. These cash deposits are adjusted daily to reflect changes in current market value. The net revenues of this operation are the interest spreads generated. Improved results in this segment were a result of higher interest rates and resultant improved spreads, as the average balances actually declined marginally.

Other

This segment consists of earnings on corporate cash, private equity investments and other corporate investments made at the corporate level net of expenses, predominantly executive compensation.

The loss in the Other segment is primarily the result of an unrealized loss recognized on the remaining NYSE Group, Inc. ("NYSE") shares received as a result of the NYSE becoming a public company ("NYSE conversion") combined with corporate bonus expense associated with improved profitability.

Results of Operations - Nine Months Ended June 30, 2006 Compared with the Nine Months Ended June 24, 2005

Except as discussed below, the underlying reasons for the variances to the prior year period are substantially the same as the comparative quarterly discussion above and the statements contained in such foregoing discussion also apply for the nine month comparison.

Total Company

For the first nine months of fiscal 2006, the Company's total revenues increased \$380 million, or 24%, over the same period in the prior year. The largest increase in revenue was in interest, as both rates and balances increased throughout the Company. Net income increased \$57.1 million, or 54%, to \$163.4 million, or \$1.41 per diluted share, from \$106.3 million, or \$0.94 per diluted share. These results include the gain on the NYSE conversion, and sale of the Montreal Exchange seats, in the prior quarter, and the adjustment to certain financial service fees, without which, net income increased 39% over the prior year to \$148 million or \$1.28 per diluted share.

Segments

The following tables present the revenues and pre-tax income of the Company on a segment basis (in 000's):

| | Nine Months Ended | | |
|-------------------------|---------------------|---------------------|----------------------|
| | June 30, 2006 | June 24, 2005 | Percentage Change |
| Revenues: | | | |
| Private Client Group | \$ 1,251,272 | \$ 1,019,478 | 23% |
| Capital Markets | 361,796 | 331,202 | 9% |
| Asset Management | 146,459 | 125,661 | 17% |
| RJBank | 68,975 | 31,046 | 122% |
| Emerging Markets | 43,360 | 27,521 | 58% |
| Stock Loan/Stock Borrow | 42,605 | 21,386 | 99% |
| Other | 29,055 | 6,772 | 329% |
| Total | \$ 1,943,522 | \$ 1,563,066 | 24% |

| | Nine Months Ended | | |
|--|-------------------|-------------------|----------------------|
| | June 30, 2006 | June 24, 2005 | Percentage Change |
| Income Before Provision for Income Taxes and Minority Interest: | | | |
| Private Client Group | \$ 129,588 | \$ 81,634 | 59% |
| Capital Markets | 57,564 | 45,504 | 27% |
| Asset Management | 35,072 | 29,107 | 20% |
| RJBank | 10,058 | 9,457 | 6% |
| Emerging Markets | 7,393 | 3,960 | 87% |
| Stock Loan/Stock Borrow | 6,970 | 4,381 | 59% |
| Other | 16,502 | 367 | 4,396% |
| Pre-tax Income | 263,147 | 174,410 | 51% |
| Minority Interest | (6,734) | 2,178 | (409)% |
| Total | \$ 256,413 | \$ 176,588 | 45% |

Within the Capital Markets segment, mergers and acquisition fees are up over \$10 million, over half of which were earned in the second quarter.

Year to date results for the Other segment include the \$16 million gain on the NYSE conversion.

Statement of Financial Condition Analysis

The Company's statement of financial condition consists primarily of cash and cash equivalents (a large portion of which are segregated for the benefit of customers), receivables and payables. The statement of financial condition is primarily liquid in nature, providing the Company with flexibility in financing its business. Total assets of \$10.8 billion at June 30, 2006 were up approximately 29% over September 30, 2005. Most of this increase is due to the significant increases in brokerage client cash deposits, leading to a similar increase in segregated cash balances on the asset side, and growth of RJBank, with the increased loan balances being largely funded by FHLB advances. RJBank loan balances increased significantly as the Company continued to prepare for the introduction of an additional cash sweep offering to brokerage customers. The Company initiated the first phase of this option in July 2006 and plans to continue to expand the offering for the next few years, which will result in continued growth in RJBank balances. The other significant increase in assets was in securities owned (trading inventory). The broker-dealer gross assets and liabilities, including trading inventory, stock loan/stock borrow, receivables and payables from/to brokers, dealers and clearing organizations and clients fluctuate with the Company's business levels and overall market conditions.

Liquidity and Capital Resources

Cash used in operating activities during the nine months ended June 30, 2006 was approximately \$70.8 million, primarily attributable to increase in segregated assets, an increase in securities inventory levels, an increase in prepaid expenses and other assets, an increase in receivables from clients, an increase in securities purchased under agreements to resell, and a decrease in accrued compensation, commissions and benefits. This was offset by an increase in payables due clients, a decrease in receivables associated with the Company's stock loan/borrowed business, an increase in payables associated with the Company's stock loan/borrowed business, and an increase in securities sold under agreements to repurchase.

Investing activities used \$965.5 million in cash, which is primarily due to loans originated and purchased by RJBank, the purchases of other investments and capital expenditures, net of loan repayments and the maturation of available for sale securities.

Financing activities provided \$785.6 million, the result of an increase in FHLB advances and deposits at RJBank and cash provided from the exercise of stock options and employee stock purchases. This was partially offset by the repayments of borrowings, purchases of treasury stock and the payment of cash dividends.

At June 30, 2006 and September 30, 2005 the Company had loans payable of approximately \$556.6 million and \$146 million, respectively. The balance at June 30, 2006 is comprised primarily of a \$68.2 million loan for its home-office complex, a \$1.1 million loan for the office of a foreign joint venture, \$473.7 million in Federal Home Loan Bank advances (used to fund operations at RJBank), and various short-term borrowings totaling approximately \$13.6 million. In July 2006, \$403.7 million of the \$473.7 million in FHLB advances were repaid by the Company after the first phase of the new sweep program transferred customer deposits to RJBank.

As of June 30, 2006, consistent with year-end, the Company's liabilities are comprised primarily of client payables of \$4.6 billion at the broker-dealer subsidiaries and deposits of \$1.45 billion at RJBank, as well as deposits held on stock loaned transactions of \$1.3 billion. The Company primarily acts as an intermediary in stock borrowed/loan transactions. As a result, the liability associated with the stock loan transactions is related to the \$1.05 billion receivable comprised of the Company's cash deposits for stock borrowed transactions. To meet its obligations to clients, the Company has approximately \$3.9 billion in cash and assets segregated pursuant to federal regulations. The Company also has client brokerage receivables of \$1.5 billion.

The Company believes its existing assets, which are highly liquid in nature, together with funds generated from operations should provide adequate funds for continuing operations.

As of June 30, 2006 both of the Company's domestic broker-dealer subsidiaries well exceeded the net capital requirements of the Uniform Net Capital Rule under the Securities Exchange Act of 1934, RJ Ltd exceeded the Risk Adjusted Capital required under the Minimum Capital Rule of the IDA, and RJBank was "well capitalized" under the regulatory framework for prompt corrective action. There have been no significant changes in circumstances since year-end that have affected the capital of either the broker-dealer subsidiaries or RJBank with respect to their respective regulatory capital requirements.

The Company will continue its endorsement of a new cash sweep option to its clients through RJBank. This new cash sweep option will require substantial capital to be contributed to RJBank to meet regulatory requirements, and therefore may require the Company to infuse an estimated \$200 to \$300 million over the next several years for this purpose.

The Company has contractual obligations of approximately \$2.3 billion, with \$1.9 billion coming due in the next twelve months related to its short and long-term debt, non-cancelable lease agreements, partnership investments, unfunded commitments to extend credit, a stadium naming rights agreement, and \$658 million in commitments related to RJBank's letters of credit and lines of credit. Commitments related to letters of credit and lines of credit may expire without being funded in whole or part, therefore these amounts are not estimates of future cash flows (see Note 7 to the Condensed Consolidated Financial Statements for further information on the Company's commitments).

In addition to the mortgage loan and advances from the FHLB, the Company and its subsidiaries have several lines of credit denominated in U.S. dollars and one line of credit denominated in Canadian dollars, with aggregate available balances of \$710 million and CDN\$40 million, respectively (see Note 5 to the Condensed Consolidated Financial Statements for further information on the Company's lines of credit). At June 30, 2006, the Company was in compliance with all covenants of the lines of credit and its mortgage loans.

Effects of Inflation

The Company's assets are primarily liquid in nature and are not significantly affected by inflation. However, the rate of inflation affects the Company's expenses, including employee compensation, communications and occupancy, which may not be readily recoverable through charges for services provided by the Company.

Factors Affecting "Forward-Looking Statements"

From time to time, the Company may publish "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products, anticipated market performance, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, are discussed in the section entitled "Risk Factors" of Item 1 included in the Company's Annual Report on Form 10-K for the year ended September 30, 2005 and in Item 1A of Part II of this report on Form 10-Q. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

Critical Accounting Policies

The condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. For a full description of these and other accounting policies, see Note 1 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2005. The Company believes that of its significant accounting policies, those described below involve a high degree of judgment and complexity. These critical accounting policies require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the condensed consolidated financial statements. Due to their nature, estimates involve judgment based upon available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the condensed consolidated financial statements. Therefore, understanding these policies is important in understanding the reported results of operations and the financial position of the Company.

Valuation of Securities and Other Assets

“Trading securities” and “Available for sale securities” are reflected in the Condensed Consolidated Statement of Financial Condition at fair value or amounts that approximate fair value. In accordance with SFAS 115, “Accounting for Certain Investments in Debt and Equity Securities”, unrealized gains and losses related to these financial instruments are reflected in net earnings or other comprehensive income, depending on the underlying purpose of the instrument. The following table presents the Company’s trading and available for sale securities segregated into cash (i.e., non-derivative) trading instruments, derivative contracts, and available for sale securities:

| June 30, 2006 | | |
|-------------------------------|---|---|
| | Financial Instruments Owned at Fair Value | Financial Instruments Sold but not yet Purchased at Fair Value |
| | (in 000's) | |
| Cash trading instruments | \$ 648,105 | \$ 188,006 |
| Derivative contracts | 31,546 | 9,067 |
| Available for sale securities | 151,141 | - |
| Total | <u>\$ 830,792</u> | <u>\$ 197,073</u> |

Cash Trading Instruments and Available for Sale Securities

When available, the Company uses prices from independent sources such as listed market prices, or broker or dealer price quotations to derive the fair value of the instruments. For investments in illiquid, privately held or other securities that do not have readily determinable fair values, the Company uses estimated fair values as determined by management. The following table presents the carrying value of cash trading, available for sale securities, and derivative contracts for which fair value is measured based on quoted prices or other independent sources versus those for which fair value is determined by management:

| June 30, 2006 | | |
|---|--|--|
| | Financial Instruments Owned at Fair Value | Financial Instruments Sold but not yet Purchased at Fair Value |
| | (in 000's) | |
| Fair value based on quoted prices and independent sources | \$ 796,160 | \$ 188,006 |
| Fair value determined by Management | 34,632 | 9,067 |
| Total | <u>\$ 830,792</u> | <u>\$ 197,073</u> |

Derivative Contracts

Fair value for derivative contracts are obtained from pricing models that consider current market and contractual prices for the underlying financial instruments, as well as time value and yield curve or volatility factors underlying the positions.

Investment in Leveraged Leases

The Company is the lessor in two leveraged commercial aircraft transactions with two major domestic airlines (Delta and Continental). The Company's ability to realize its expected return is dependent upon the airlines' ability to fulfill their lease obligations. In the event that the airlines default on their lease commitments and the Trustees for the debt holders are unable to re-lease or sell the planes with adequate terms, the Company would suffer a loss of some or all of its investment. Delta filed for bankruptcy protection on September 14, 2005. Accordingly, the Company recorded a \$6.5 million pretax charge during the three months ended September 30, 2005 to fully reserve the balance of its investment in the leveraged lease of an aircraft to Delta. The Company also took a \$4 million pretax charge in the 2004 fiscal year to partially reserve for this investment. No amount of these charges represents a cash expenditure; however, in the event of a material modification to the lease or foreclosure of the aircraft by the debt holders, certain of the Company’s deferred tax payments of up to approximately \$8.2 million could be accelerated. The expected tax payments are currently reflected on the statement of financial condition as a deferred tax liability and are not expected to result in a further charge to earnings.

The Company also has an outstanding leveraged lease with Continental valued at \$11.1 million as of June 30, 2006. The Company's equity investment represented 20% of the aggregate purchase price; the remaining 80% was funded by public debt issued in the form of equipment trust certificates. The residual value of the aircraft at the end of the lease term of approximately 17 years is projected to be 15% of the original cost. This lease expires in September 2013.

Although Continental remains current on its lease payments to the Company, the inability of Continental to make its lease payments, or the termination of the lease through a bankruptcy proceeding, could result in the write-down of the Company's investment and the acceleration of certain income tax payments. Given the difficult economic environment for the airline industry, the Company is closely monitoring this investment for specific events or circumstances that would allow for a reasonable estimation of any potential impairment.

Goodwill

Goodwill is related to the acquisitions of Roney & Co. (now part of RJA) and Goepel McDermid, Inc. (now called Raymond James Ltd). This goodwill, totaling \$63 million, was allocated to the reporting units within the Private Client Group and Capital Markets segments pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets". Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. In accordance with SFAS No. 142, indefinite-life intangible assets and goodwill are not amortized.

The Company reviews its goodwill in order to determine whether its value is impaired on at least an annual basis. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. When available, the Company uses recent, comparable transactions to estimate the fair value of the respective reporting units. The Company calculates an estimated fair value based on multiples of revenues, earnings, and book value of comparable transactions. However, when such comparable transactions are not available or have become outdated, the Company uses discounted cash flow scenarios to estimate the fair value of the reporting units. As of June 30, 2006, goodwill had been allocated to the Private Client Group of RJA, and both the Private Client Group and Capital Markets segments of RJ Ltd. As of the most recent impairment test, the Company determined that the carrying value of the goodwill for each reporting unit had not been impaired. However, changes in current circumstances or business conditions could result in an impairment of goodwill. As required, the Company will continue to perform impairment testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Reserves

The Company recognizes liabilities for contingencies when there is an exposure that, when fully analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of probable loss can be estimated, the Company accrues the most likely amount; if not determinable, the Company accrues at least the minimum of the range of probable loss.

The Company records reserves related to legal proceedings in "other payables". Such reserves are established and maintained in accordance with SFAS No. 5, "Accounting for Contingencies", and Financial Interpretation No. 14. The determination of these reserve amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the client's account; the basis and validity of the claim; the possibility of wrongdoing on the part of an employee of the Company; previous results in similar cases; and legal precedents and case law. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded in the consolidated financial statements and is recognized as a charge/credit to earnings in that period. Lastly, each case is reviewed to determine if it is probable that insurance coverage will apply, in which case a receivable is recorded.

The Company also records reserves or allowances for doubtful accounts related to client receivables and loans. Client receivables at the broker-dealers are generally collateralized by securities owned by the brokerage clients. Therefore, when a receivable is considered to be impaired, the amount of the impairment is generally measured based on the fair value of the securities acting as collateral, which is measured based on current prices from independent sources such as listed market prices or broker-dealer price quotations.

Client loans at RJBank are generally collateralized by real estate or other property. RJBank provides for both an allowance for losses in accordance with SFAS No. 5, "Accounting for Contingencies", and a reserve for individually impaired loans in accordance with SFAS No. 114, "Accounting by a Creditor for Impairment of a Loan". The calculation of the SFAS No. 5 allowance is subjective as management segregates the loan portfolio into different homogeneous classes and assigns each class an allowance percentage based on the perceived risk associated with that class of loans. During the quarter, the loan grading system used by management to determine the level of risk in the corporate loan portfolio was revised and expanded to 15 different risk categories. The factors taken into consideration when assigning the reserve percentage to each category include estimates of borrower default probabilities and collateral values; trends in delinquencies; volume and terms; changes in geographic distribution, lending policies, local, regional, and national economic conditions; concentrations of credit risk and past loss history. In addition, the Company provides for potential losses inherent in RJBank's unfunded lending commitments using the criteria above, further adjusted for an estimated probability of funding. For individual loans identified as impaired, RJBank measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. At June 30, 2006, the amortized cost of all RJBank loans was \$1.92 billion and an allowance for loan losses of \$15.9 million was recorded against that balance. The total allowance for loan losses, including \$2.8 million in reserves for off-balance sheet exposures maintained in Other Liabilities, is equal to 0.97% of the amortized cost of the loan portfolio.

The Company also makes loans or pays advances to Financial Advisors, primarily for recruiting and retention purposes. The Company provides for an allowance for doubtful accounts based on an evaluation of the Company's ability to collect such receivables. The Company's ongoing evaluation includes the review of specific accounts of Financial Advisors no longer associated with the Company and the Company's historical collection experience. At June 30, 2006 the receivable from Financial Advisors was \$80 million, which is net of an allowance of \$8.4 million for estimated uncollectibility.

Income Taxes

SFAS No. 109, "Accounting for Income Taxes", establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact the Company's financial position, results of operations, or cash flows.

[Table of Contents](#)

Item 3. Quantitative and Qualitative Disclosure About Market Risk

For a description of the Company's risk management policies, including a discussion of the Company's primary market risk exposures, which include interest rate risk and equity price risk, as well as a discussion of the Company's credit risk, operational risk, and regulatory and legal risk and a discussion of how these exposures are managed, refer to the Company's Annual Report on Form 10-K for the year ended September 30, 2005.

Market Risk

Market risk is the risk of loss to the Company resulting from changes in interest rates and equity prices. The Company has exposure to market risk primarily through its broker-dealer and banking operations. The Company's broker-dealer subsidiaries, primarily RJA, trade tax exempt and taxable debt obligations and act as an active market maker in approximately 340 over-the-counter equity securities. In connection with these activities, the Company maintains inventories in order to ensure availability of securities and to facilitate client transactions. Additionally, the Company, primarily within its Canadian broker-dealer subsidiary, invests for its own proprietary equity investment account.

The following table represents the fair value of trading inventories associated with the Company's broker-dealer client facilitation, market-making activities and proprietary trading activities.

| June 30, 2006 | | September 30, 2005 | |
|-----------------------|---------------------------------------|--------------------|---------------------------------------|
| Trading Securities | Securities Sold but Not yet Purchased | Trading Securities | Securities Sold but Not yet Purchased |
| (in 000's) | | | |
| Marketable: | | | |
| Municipal | \$ 247,180 | \$ 345 | \$ 177,984 |
| Corporate | 130,038 | 2,284 | 27,830 |
| Government | 108,283 | 87,603 | 42,009 |
| Agency | 122,522 | 74,212 | 60,445 |
| Total debt securities | 608,023 | 164,444 | 308,268 |
| Derivative contracts | 31,546 | 9,067 | 12,795 |
| Equity securities | 34,886 | 23,561 | 32,237 |
| Other securities | 5,196 | 1 | 6,379 |
| Total | \$ 679,651 | \$ 197,073 | \$ 359,679 |

Changes in value of the Company's trading inventory may result from fluctuations in interest rates, credit ratings of the issuer, equity prices and the correlation among these factors. The Company manages its trading inventory by product type and has established trading divisions that have responsibility for each product type. The Company's primary method of controlling risk in its trading inventory is through the establishment and monitoring of limits on the dollar amount of securities positions that can be entered into and other risk based limits; limits are established both for categories of securities (e.g., OTC equities, high yield securities, municipal bonds) and for individual traders. As of June 30, 2006 the absolute fixed income and equity inventory limits were \$2,205,000,000 and \$79,775,000, respectively. The Company's trading activities were well within these limits at June 30, 2006. Position limits in trading inventory accounts are monitored on a daily basis. Consolidated position and exposure reports are prepared and distributed to senior management. Limit violations are carefully monitored. Management also monitors inventory levels and trading results, as well as inventory aging, pricing, concentration and securities ratings. For derivatives, primarily interest rate swaps, the Company monitors exposure in its derivatives subsidiary daily based on established limits with respect to a number of factors, including interest rate risk, spread, ratio and basis risk and volatility. These exposures are monitored both on a total portfolio basis and separately for selected maturity periods.

Interest Rate Risk

RJA is exposed to interest rate risk as a result of maintaining trading inventories of fixed income instruments, which are sensitive to changes in interest rates. The Company monitors, on a daily basis, the Value-at-Risk ("VaR") in its institutional Fixed Income trading portfolios (cash instruments and interest rate derivatives). VaR is a technique for estimating the potential loss in the Company's fixed income portfolio due to adverse market movements over a specified time horizon and confidence level.

The Company uses historical simulation for calculating VaR. Simulated scenarios were derived based on a one-year observation period, with equal weighting given to the one-day relative change scenarios. VaR is reported at a 99% confidence level, based on a one-day holding period. This means the Company would expect to incur losses greater than that predicted by VaR estimates only once in every 100 trading days, or about 2.5 times a year. However, shortfalls on a single day can exceed reported VaR by significant amounts. Shortfalls can also accumulate over a longer time horizon, such as a number of consecutive trading days.

The following tables set forth the high, low, and daily average VaR for the Company's overall institutional portfolio during the nine months ended June 30, 2006, with the corresponding dollar value of the Company's portfolio.

| (\$ in 000's) | Nine months ended June 30, 2006 | | | VaR at | |
|---|---------------------------------|-----------|---------------|---------------|--------------------|
| | High | Low | Daily Average | June 30, 2006 | September 30, 2005 |
| Daily VaR | \$1,251 | \$312 | \$762 | \$553 | \$ 532 |
| Portfolio Value (net) | \$303,377 | \$177,669 | \$299,775 | \$407,108 | \$169,978 |
| Daily VaR as a percent of Daily Portfolio Value | 0.41% | 0.18% | 0.26% | 0.14% | 0.31% |

The reported P/L loss in the portfolio exceeded the VaR one time during the period. The increase in VaR from September 30, 2005 resulted from additional trading inventory.

The modeling of the risk characteristics of trading positions involves a number of assumptions and approximations. While management believes that its assumptions and approximations are reasonable, there is no uniform industry methodology for estimating VaR, and different assumptions or approximations could produce materially different VaR estimates. Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VaR models is that the distribution of past changes in market risk factors may not produce accurate predictions of future market risk, particularly during periods of unusual market events and disruptions. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. Accordingly, management also monitors the risk in its trading activities by establishing position limits and daily review of trading results, inventory aging, pricing, concentration, and securities ratings.

Additional information is discussed under Derivative Financial Instruments in Note 12 of the Notes to the Condensed Consolidated Financial Statements.

RJBank maintains an earning asset portfolio that is comprised of mortgage, corporate and consumer loans, as well as mortgage-backed securities and other investments. Those earning assets are funded in part by its obligations to clients, including demand deposits, money market accounts, savings accounts, certificates of deposit and FHLB advances. Based on the current earning asset portfolio of RJBank, market risk for RJBank is limited primarily to interest rate risk. RJBank analyzes interest rate risk based on forecasted net interest income, which is the net amount of interest received and interest paid, and the net portfolio valuation, both in a range of interest rate scenarios. The following table represents the carrying value of RJBank's assets and liabilities that are subject to market risk. This table does not include financial instruments with limited market risk exposure due to offsetting asset and liability positions, short holding periods or short periods of time until the interest rate resets.

RJBank Financial Instruments with Market Risk (as described above, in 000's):

| | June 30, 2006 | September 30, 2005 |
|------------------------------------|---------------|--------------------|
| Mortgage-backed securities | \$ 12,127 | \$ 6,716 |
| Municipal obligations | 0 | 5 |
| Loans receivable, net | 1,139,881 | 648,649 |
| Total assets with market risk | \$1,152,008 | \$ 655,370 |
| Certificates of deposit | \$ 338,366 | \$ 220,660 |
| Federal Home Loan Bank advances | 60,000 | 70,000 |
| Interest rate swaps | 0 | 72 |
| Total liabilities with market risk | \$ 398,366 | \$ 290,732 |

As noted above, RJBank reviews interest rate risk based on net interest income and impact on RJBank's equity. One of the core objectives of RJBank's Asset/Liability Management Committee is to manage the sensitivity of net interest income to changes in market interest rates. The Asset/Liability Management Committee uses several measures to monitor and limit RJBank's interest rate risk including scenario analysis, interest repricing gap analysis and limits, and net portfolio value limits. Model-based scenario analysis is used to monitor and report the interest rate risk positions, and analyze alternative strategies.

Net interest income is the net amount of interest received less interest paid. This involves large volumes of contracts and transactions, and numerous different products. Simulation models and estimation techniques are used to assess the sensitivity of the net interest income stream to movements in interest rates. Assumptions about consumer behavior play an important role in these calculations; this is particularly relevant for loans such as mortgages where the client has the right, but not the obligation, to repay before the scheduled maturity. On the liability side, the re-pricing characteristics of deposits are based on estimates since the rates are not coupled to a specified market rate.

The sensitivity of net interest income to interest rate conditions is estimated for a variety of scenarios. Assuming an immediate and lasting shift of 100 basis points in the term structure of interest rates, RJBank's sensitivity analysis indicates that an upward movement would decrease RJBank's net interest income by 14.08% in the first year after the rate jump, whereas a downward shift of the same magnitude would increase RJBank's net interest income by 11.21%. These sensitivity figures are based on positions as of June 30, 2006, and are subject to certain simplifying assumptions, including that management takes no corrective action.

Equity Price Risk

The Company is exposed to equity price risk as a consequence of making markets in equity securities and the investment activities of RJA and RJ Ltd. The U.S. broker-dealer activities are client-driven, with the objective of meeting clients' needs while earning a trading profit to compensate for the risk associated with carrying inventory. The Company attempts to reduce the risk of loss inherent in its inventory of equity securities by monitoring those security positions constantly throughout each day and establishing position limits. The Company's Canadian broker-dealer has a proprietary trading business with 28 traders. The average aggregate inventory held for proprietary trading during the quarter-ended June 30, 2006 was CDN\$7,466,925. The Company's equity securities inventories are priced on a regular basis and there are no material unrecorded gains or losses.

[Table of Contents](#)

Item 4. CONTROLS AND PROCEDURES

Disclosure controls are procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act, such as this report, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, as the Company's are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a defendant or co-defendant in various lawsuits and arbitrations incidental to its securities business. Like others in the retail securities industry, the Company experienced a significant increase in the number of claims seeking recovery due to portfolio losses in the early 2000's. During the past two years, the number of claims has declined but is still above long-term historic levels.

As previously reported, RJF and RJFS are defendants in a series of lawsuits and arbitrations relating to an alleged mortgage lending program known as the "Premiere 72" program, that was administered by a company owned in part by two individuals who were registered as Financial Advisors with RJFS in Houston. In July 2005, RJFS paid approximately \$24 million in a settlement with approximately 380 claimants in this litigation, representing approximately two-thirds of the outstanding claims. The Company estimates that the value of the claims resolved also represents approximately two-thirds of the value of the total claims and has made adjustments to its litigation reserves to give effect to the estimated impact of the settlement. Several of the arbitration claims relating to this matter had been previously settled by RJFS for amounts consistent with its evaluation of those claims. The remaining lawsuits are pending in five state courts; three of the suits have been consolidated for pretrial purposes, and one of those has been set for trial in October 2006. In June 2006, the Texas First Circuit Court of Appeals overturned orders denying motions to compel arbitration of approximately one half of these claims, and those plaintiffs have agreed to refile their claims in arbitration. Initial motions to compel arbitration of some of the plaintiffs' claims in the two non-consolidated cases are pending.

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

Item 1A. RISK FACTORS

See "Risk Factors" on pages 11 and 12 of the Company's Annual Report on Form 10-K for the year ended September 30, 2005.

As a result of high levels of storm induced damage over the past two years in Florida and along the Gulf Coast, insurance coverage for wind and flood damage has become harder to obtain and substantially more expensive. As a consequence, the Company has been forced to pay more for the coverage it obtained and self-insure against these risks to a greater degree than in the past.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Reference is made to information contained under "Capital Transactions" in Note 8 of the Notes to Condensed Consolidated Financial Statements for the information required by Part II, Item 2(c).

The Company expects to continue paying cash dividends. However, the payment and rate of dividends on the Company's common stock is subject to several factors including operating results, financial requirements of the Company, compliance with the net worth covenant in the Company's line of credit agreement, and the availability of funds from the Company's subsidiaries, including the broker-dealer subsidiaries, which may be subject to restrictions under the net capital rules of the SEC, NYSE and the IDA; and RJBank, which may be subject to restrictions by federal banking agencies. Such restrictions have never become applicable with respect to the Company's dividend payments. (See Note 9 of the Notes to the Condensed Consolidated Financial Statements for more information on the capital restrictions placed on RJBank and the Company's broker-dealer subsidiaries).

Item 6. EXHIBITS

- 3(ii) Amended and Restated By-laws of Raymond James Financial, Inc. reflecting amendments adopted by the Board of Directors on May 25, 2006, filed herewith.
- 11 Statement Re: Computation of per Share Earnings (The calculation of per share earnings is included in Part I, Item 1 in the Notes to Condensed Consolidated Financial Statements (Earnings Per Share) and is omitted here in accordance with Section (b)(11) of Item 601 of Regulation S-K.).
- 31.1 Principal Executive Officer Certification as required by Rule 13a-14(a)/15d-14(a), filed herewith.
- 31.2 Principal Financial Officer Certification as required by Rule 13a-14(a)/15d-14(a), filed herewith.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,filed herewith.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,filed herewith.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|-------------------------------|--|
| | <div>RAYMOND JAMES FINANCIAL, INC. _____ (Registrant)</div> |
| Date: August 9, 2006 _____ | <div>/s/ Thomas A. James _____ Thomas A. James Chairman and Chief Executive Officer</div> |
| | <div>/s/ Jeffrey P. Julien _____ Jeffrey P. Julien Senior Vice President - Finance and Chief Financial Officer</div> |

AMENDED AND RESTATED
BY-LAWS
OF
RAYMOND JAMES FINANCIAL, INC.

ARTICLE I

Offices

The Company shall maintain a principal office in the State of Florida, and may also have offices in such other places either within or without the State of Florida as the Board of Directors may from time to time designate or as the business of the Company may require.

ARTICLE II

Seal

The seal of the Company shall be circular in form and shall have the name of the Company on the circumference and the words "Corporate Seal Florida" in the center.

ARTICLE III

Stockholders

Section 1. All meetings of the stockholders shall be held at the principal office of the Company in the City of St. Petersburg, County of Pinellas, State of Florida, or at such other place as shall be determined, within or outside the State of Florida, from time to time, by the Board of Directors, and the place at which such meeting shall be held shall be stated in the notice of the meeting. A

change in the place of meeting shall not be made within sixty (60) days next before the day on which an election of directors is to be held, and a notice of any change shall be sent to each stockholder at least twenty (20) days before the election is to be held.

Section 2. The annual meeting of the stockholders of the Company for the election of directors, and for the transaction of such other business as may properly come before the meeting, shall be held each year on the date and at the time set by the Board of Directors. If the annual meeting of the stockholders be not held as herein prescribed, the election of directors may be held at any meeting thereafter called pursuant to these By-laws.

At the annual meeting of the stockholders of the Company, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must either be specified in the notice of meeting given by or at the direction of the Board of Directors, otherwise brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice must be received at the principal business office of the Company no later than the date designated for receipt of stockholders' proposals in a prior public disclosure made by the Company. If there has been no such prior public disclosure, then to be timely, a stockholder's notice must be received at the principal business office of the Company not less than sixty (60) days nor more than ninety (90) days prior to the annual meeting of stockholders; provided, however, that in the event that less than seventy (70) days' notice of the date of the meeting is given to stockholders by notice or prior public disclosure, notice by the stockholder, to be timely, must be received by the Company not later than the close of business on the tenth day following the day on which the Company gave notice or made a public disclosure of the date of the annual meeting of stockholders. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (a) a brief description of the business or proposal desired to be brought before the annual meeting and the reasons for conducting such business or making such proposal at the annual meeting, (b) the name and address, as they appear on the Company's records, of the stockholder proposing such business, (c) the class and number of shares of the Company's stock which are beneficially owned by the stockholder, (d) any material interest of the stockholder or any associate of the stockholder in such business or proposal and (e) the same information required by clauses (b), (c) and (d) above with respect to any other stockholder that, to the knowledge of the stockholder proposing such business, supports such proposal. Subject to the discretion vested in the chairman of the meeting under Section 8 below, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 2. The chairman of an annual meeting shall, if he so determines, declare to the annual meeting that a matter of business was not properly brought before the meeting in accordance with the provisions of this Section 2, and upon such determination and declaration any such business not properly brought before the meeting shall not be transacted.

Section 3. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the

Chairman of the Board of Directors, or, upon authorization by the Board of Directors, by the President, or any Vice President and shall be called at any time by the Chairman of the Board of Directors, the President, or any Vice President, or the Secretary or the Treasurer, upon the request of stockholders owning twenty-five per cent (25%) of the outstanding stock of the Company entitled to vote at such meeting. Business transacted at all special meetings shall be confined to the objects stated in the notice of meeting.

Section 4. Notice of the time and place of the annual meeting of stockholders or any special meeting of stockholders shall be given by mailing notice of the same at least ten (10) days and not more than sixty (60) days prior to the meeting, with postage prepaid, to each stockholder of record of the Company entitled to vote at such meeting at the address appearing on the record books of the Company. The Board of Directors may fix in advance a date, not exceeding seventy (70) days preceding the date of any meeting of stockholders, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting.

Section 5. A quorum at any annual or special meeting of stockholders shall consist of stockholders representing, either in person or by proxy, a majority of the outstanding capital stock of the Company entitled to vote at such meeting, except as otherwise specially provided by law or in the Certificate of Incorporation.

Section 6. If a quorum be not present at a properly called stockholders' meeting, the meeting may be adjourned by those present, and if a notice of such adjourned meeting, sent to all stockholders entitled to vote thereat, contains the time and place of holding such adjourned meeting and a statement of the purpose of the meeting, that the previous meeting failed for lack of a quorum, and that under the provisions of this section it is proposed to hold the adjourned meeting with a quorum of those present, then, at such adjourned meeting, except as may be otherwise required by law or provided in the Certificate of Incorporation, any number of stockholders entitled to vote thereat, represented in person or by proxy, shall constitute a quorum, and the votes of a majority in interest of those present at such meeting shall be sufficient to transact business.

Section 7. At all meetings of the stockholders every registered owner of shares entitled to vote may vote in person or by proxy and shall have one vote for each such share standing in his name on the books of the Company. At all elections of directors the voting shall be by ballot. The Board of Directors, or, if the Board shall not have made the appointment, the chairman presiding at any meeting of stockholders, shall have power to appoint one or more persons to act as inspectors or tellers to receive, canvass, and report the votes cast by the stockholders at such meeting; but no candidate for the office of director shall be appointed as inspector or teller at any meeting for the election of directors.

Section 8. The Chairman of the Board or the President or, in their absence, a Vice President shall preside at all meetings of the stockholders; and, in the absence of the Chairman, the President and Vice President, the Board of Directors may appoint any officer to act as chairman of the meeting. The chairman of the meeting shall have broad discretion in determining the order of business at a stockholders' meeting. The chairman's authority to conduct the meeting shall include, but in no way be limited to, opening and adjourning the meeting, recognizing stockholders entitled to speak, allowing for and terminating questions by stockholders, calling for reports, stating questions and putting them to a vote, calling for nominations, determining whether any business or proposal is properly before the meeting and announcing the results of voting. The chairman also shall take such actions as are necessary and appropriate to preserve order at the meeting. The rules of parliamentary procedure need not be observed in the conduct of stockholders' meetings.

Section 9. The Secretary of the Company shall act as secretary of all meetings of the stockholders; and, in his absence, the Chairman may appoint any person to act as secretary of the meeting.

ARTICLE IV

Directors

Section 1. The management of all the affairs, property, and business of the Company shall be vested in a Board of Directors, consisting of the number of persons authorized under the Certificate of Incorporation, who shall be elected at the annual meeting of the stockholders by a plurality vote, for a term of one year, and shall hold office until their successors are elected and qualify. In addition to the powers and authorities by these By-laws and the Certificate of Incorporation expressly conferred upon it, the Board of Directors may exercise all powers of the Company and do all lawful acts and things which are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

Section 2. The number of directors may at any time be increased (to a maximum of twenty) or decreased by vote of a majority of the Board of Directors at any regular or special meeting, if the notice of such meeting contains a statement of the proposed increase or decrease of directors. In case of any such increase, the Board of Directors at any meeting shall have power to elect such additional directors to hold office until the next annual meeting of the stockholders, and until their successors are elected and qualify.

Section 3. All vacancies in the Board of Directors, whether caused by increase in number of directors, resignation, death, or otherwise, may be filled by a majority of the remaining directors attending a meeting, even though less than a quorum be present. A director thus elected to fill any vacancy shall hold office for the unexpired term of his predecessor, and until his successor is elected and qualifies.

Section 4. The Board of Directors may hold meetings and keep the books of the Company outside the State of Florida.

Section 5. The annual meeting of the board of Directors, of which no notice shall be necessary, shall be held immediately following the annual meeting of the stockholders, or immediately following any adjournment thereof, for the purpose of the organization of the Board and the election or appointment of officers for the ensuing year and for the transaction of such other business as may be brought before such meeting.

Section 6. Regular meetings of the Board of Directors may be held without notice at the principal office of the Company or at such other place or places, within or without the State of Florida, as the Board of Directors may from time to time designate.

Section 7. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board of Directors, or the President, or, in their absence, by any Vice President, or by any two directors, to be held at the principal office of the Company, or at such other place or places, within or without the State of Florida, as the directors may from time to time designate.

Section 8. Notice of all special meetings of the Board of Directors shall be given to each director by two (2) days' service of the same by telecopier transmission, mail, electronic mail or personally.

Section 9. At meetings of the Board of Directors the Chairman of the Board, or, in his absence, the President, or a designated Vice President shall preside. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn any meeting from time to time until a quorum shall be present, whereupon the meeting may be held, as adjourned, without further notice. At any meeting at which every director shall be present, even though without any notice, any business may be transacted.

Section 10. The Board of directors may establish, from time to time, a schedule of compensation for members of the Board of Directors, as well as a fixed sum and expenses of attendance for attendance at each regular or special meeting of the Board; provided that nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing Committees may be allowed compensation for attending Committee meetings. Unless otherwise determined by the Board of Directors, directors who are employees of the Company shall not receive any compensation for service on the Board of Directors, but shall be reimbursed for expenses of attendance at meetings.

Section 11. No contract or other transaction between the Company and one or more of its directors, or any other corporation, firm, association, or entity in which one or more of its directors are directors or officers, or are financially interested, shall be either void or voidable because of such relationship or interest, because such director or directors are present at the meeting of the Board of Directors or a Committee thereof which authorizes, approves, or ratifies such contract or transaction, or because his or their votes are counted for such purpose, if:

(a) The fact of such relationship or interest is disclosed or known to the Board of Directors or Committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or

(b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction by vote or written consent; or

(c) The contract or transaction is fair and reasonable as to the Company at the time it is authorized by the Board of Directors, a Committee or the shareholders.

An interested director may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a Committee thereof which authorizes, approves, or ratifies such contract or transaction.

Section 12. The Company shall:

(a) Indemnify any person made a party to an action by or in the right of the Company to procure a judgment in its favor by reason of his being or having been a director or officer of the Company, or of any other corporation, firm, association or entity which he served as such at the request of the Company, or Trustee of any employee benefit plan or trust or other program sponsored by the Company or any subsidiary of the Company, against the reasonable expenses, including attorneys' fees, incurred by him in connection with the defense or settlement of such action, or in connection with an appeal therein, except in any case where such person is adjudged in a final adjudication to have been guilty of conduct as to which, as a matter of law, no such indemnification may be made;

(b) Indemnify any person made a party to an action, suit or proceeding, other than one by or in the right of the Company to procure a judgment in its favor, whether civil or criminal, brought to impose a liability or penalty on such person for an act alleged to have been committed by such person in his capacity of director or officer of the Company, or of any other corporation, firm, association or entity which he served as such at the request of the Company, or Trustee of any employee benefit plan or trust or other program sponsored by the Company or any subsidiary of the Company, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred as a result of such action, suit or proceeding, or any appeal therein, unless the Board of Directors determines that such person did not act in good faith in the reasonable belief that such action was in the best interests of the Company. The termination of any such civil or criminal action, suit or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere shall not in itself disqualify such person from indemnification except in any case where such person is adjudged in a final adjudication to have been guilty of conduct as to which, as a matter of law, no such indemnification may be made;

(c) Advance the payment of expenses, including attorneys' fees, to any person entitled to indemnification hereunder during the pendency of any claim, action or proceeding, unless otherwise determined by the Board of Directors in any case.

The foregoing rights of reimbursement or indemnification shall not be exclusive of other rights to which any such person may otherwise be entitled and, in the event of his or her death, shall extend to his or her legal representatives.

(d) In any instance where more than one person is entitled to reimbursement of attorneys' fees pursuant to this Section 12, the Company shall select one attorney to serve as attorney for all such persons, unless, in the opinion of the attorney selected by the Company, a conflict of interest exists which would prevent representation by that attorney of one or more persons. Notwithstanding the foregoing provision, any person may at any time decide to be

represented by an attorney of his choosing, at his own expense.

(e) The Company may enter into indemnification agreements with members of the Board of Directors which may provide for further or expanded indemnification rights or otherwise modify the rights provided under this Section 12.

Section 13. Each officer, director, or member of any Committee designated by the Board of Directors shall, in the performance of his or her duties, be fully protected in relying on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:

- (a) one or more officers or employees of the Company whom he or she reasonably believes to be reliable and competent in the matters presented;
- (b) legal counsel, public accountants, or other persons, as to matters he or she reasonably believes are within the persons' professional or expert competence; or
- (c) a Committee of the Board of Directors of which he or she is not a member, if he or she reasonably believes the Committee merits confidence.

In discharging his or her duties, a director may consider such factors as the director deems relevant, including the long-term prospects and interests of the Company and its shareholders, and the social, economic, legal, or other effects of any action on the employees, suppliers, customers of the Company or its subsidiaries, the communities and society in which the Company or its subsidiaries operate, and the economy of the state and the nation.

Section 14. No person shall be liable to the Company for any loss or damage suffered by it on account of any action taken or omitted to be taken by him or her as a director or officer of the Company, or of any other corporation, firm, association, or entity in which he or she serves in any position at the request of the Company, if such action was taken:

- (a) In good faith;
- (b) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
- (c) In a manner he or she reasonably believes to be in the best interests of the Company.

ARTICLE V

Committees

Section 1. The Board of Directors may appoint from among its members an Executive Committee of not less than two nor more than nine members, one of whom shall be the Chairman of the Board, and shall designate one of such members as Chairman of the Executive Committee. The Board may also designate one or more of its members as alternates to serve as a member or members of the Executive Committee in the absence of a regular member or members. The Board of Directors reserves to itself alone the power to declare dividends, recommend to stockholders any action requiring their approval, change the membership of any committee at any time, fill vacancies therein, and discharge any committee either with or without cause at any time. Subject to the foregoing limitations, the Executive Committee shall possess and exercise all other powers of the Board of Directors during the intervals between meetings.

Section 2. The Board of Directors may also appoint from among its own members such other committees as the Board may determine, including an Audit Committee and a Compensation Committee, which shall in each case consist of not less than two directors, and which shall have such powers and duties as shall from time to time be prescribed by the Board.

Section 3. A majority of the members of any committee may fix its rules of procedure. All actions by any committee shall be reported to the Board of Directors at a meeting succeeding such action and shall be subject to revision, alteration, and approval by the Board of Directors.

ARTICLE VI

Divisions

Section 1. The Board of Directors of the Company may appoint individuals who may, but need not be directors, officers, or employees of the Company, to serve as members of an Advisory Board of Directors of one or more operating divisions of the company and may fix fees or compensation for attendance at meetings of any such Advisory Boards. The members of any such Advisory Board may adopt and from time to time may amend rules and regulations for the conduct of their meetings and shall keep minutes which shall be submitted to the Board of Directors of the Company. The term of office of any member of the Advisory Board of Directors shall be at the pleasure of the Board of Directors of the Company and shall expire the day of the annual meeting of the stockholders of the Company. The function of any such Advisory Board of Directors shall be to advise with respect to the affairs of the operating divisions of the Company to which it is appointed.

Section 2. The Board of Directors of the Company, or the Chairman, may from time to time confer on the employees of the company assigned to any operating division of the Company, or discontinue, the title of President, Vice President, and any other titles deemed appropriate. Any employee so

designated as an officer of an operating division shall have authorities, responsibilities, and duties with respect to his operating division corresponding to those normally vested in the comparable officer of the Company by these By-laws, subject to such limitations as may be imposed by the Board of Directors of the Company or the Chairman. The designation of any such title to an employee of an operating division of the Company shall not be permitted to conflict in any way with the executive or administrative authority of any officer of the Company and shall not constitute authorization for such person to act as an officer of the Company or to represent himself or herself as an officer of the Company.

ARTICLE VII

Officers

Section 1. The Board of Directors shall elect from its own number a Chairman of the Board and shall elect a President and such Vice Presidents (who may or may not be directors, and who may be designated Executive or Senior Vice Presidents) as in the opinion of the Board the business of the Company requires, a Chief Financial Officer (who may also be a Vice President, Treasurer and Controller of the Company), a Treasurer and a Secretary; and it may elect or appoint from time to time such other or additional officers, including one or more Vice Chairmen, a Controller and a General Counsel, and one or more Assistant Secretaries and Assistant Treasurers, as in its opinion are desirable for the conduct of the business of the Company. In its discretion the Board of Directors may leave unfilled any office except those of President, Chief Financial Officer, Treasurer, and Secretary. Any individual may hold one or more offices authorized under these By-laws.

Section 2. The Board of Directors may authorize the Company to enter into employment contracts with any executive officer for periods longer than one year, and any provision of the Certificate of Incorporation or By-laws for annual election shall be without prejudice to the contract rights if any, of an executive officer under such a contract. Subject to his rights under any such employment contract, any officer or agent shall be subject to removal at any time by the affirmative vote of a majority of the whole Board of Directors. An officer, agent, or employee, other than officers appointed by the Board of Directors, shall hold office at the discretion of the officer appointing him.

Section 3. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and stockholders and shall be the Chief Executive Officer of the Company. He may appoint officers, agents, or employees other than those appointed by the Board of Directors. He may sign, execute, and deliver in the name of the Company powers of attorney, contracts, bonds, and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the By-laws.

Section 4. The Vice Chairman shall have such powers and perform such duties as may be assigned to him by the Board of Directors or the Chairman.

Section 5. The President shall exercise such duties as customarily pertain to the office of President and, subject to the direction of the Chairman and Chief Executive Officer, shall have general and active supervision over the property, business, and affairs of the Company and over its several officers. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and at meetings of the Board of Directors.

Section 6. Each Vice President shall have such powers and perform such duties as may be assigned by the Board of Directors, the Chairman, or the corporate officer to whom the Vice President reports. In the absence or disability of the President, the Board or the Chairman shall designate a Vice President to perform the duties and exercise the powers of the President. A Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

Section 7. The Chief Financial Officer shall be responsible for the financial reporting on a consolidated basis of the Company and its subsidiaries. He or she shall perform such other duties as may be assigned by the Board of Directors or the Chairman, including duties that may otherwise be assigned to the Treasurer under these By-laws, and shall be responsible to the Chairman for the performance of the duties of the office.

Section 8. The Controller shall be the chief accounting officer of the Company, unless that responsibility is also being fulfilled by the Chief Financial Officer. He or she shall perform such duties as shall be assigned by the Chief Financial Officer.

Section 9. The Treasurer shall, subject to the direction of the Chairman or the Chief Financial Officer, have general custody of all the funds and securities of the Company and have general supervision of the collection and disbursement of funds of the Company. He or she shall endorse on behalf of the Company for collection checks, notes, and other obligations, and shall deposit the same to the credit of the Company in such bank or banks or depositories as the Board of Directors may designate, or shall designate others to do so. He or she may sign, with the Chairman, the President, the Chief Financial Officer, or such other person or persons as may be designated for the purpose by the Board of Directors, all bills of exchange or promissory notes of the Company. Unless such responsibilities are being fulfilled by the Chief Financial Officer or the Controller, he or she shall enter or cause to be entered regularly in the books of the Company full and accurate account of all moneys received and paid on account of the Company; shall at all reasonable times exhibit the books and accounts of the Company to any director of the Company upon application at the office of the Company during business hours; and, whenever required by the Board of Directors or the Chairman, shall render a statement of accounts. He or she shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the By-laws. He or she shall give bond for the faithful performance of these duties in such sum and with such surety as shall be approved by the Board of Directors.

Any Assistant Treasurer shall have such authority to sign and endorse checks, notes and other obligations of the Company, and open bank accounts, and such other duties and responsibilities, as shall be authorized by the Treasurer or the Chief Financial Officer.

Section 10. The Secretary shall keep the minutes of all meetings of the stockholders and of the Board of Directors, and to the extent ordered by the Board of Directors or the Chairman, the minutes of meetings of all committees. He shall cause notice to be given of meetings of stockholders, of the Board of Directors, and of any committee appointed by the Board. He shall have custody of the corporate seal and general charge of the records, documents, and papers

of the Company not pertaining to the performance of the duties vested in other officers, which shall at all reasonable times be open to the examination of any director, and shall authenticate records of the Company as required from time to time. He may sign or execute contracts with the Chairman, the President, or a Vice President thereunto authorized, in the name of the Company, and affix the seal of the Company thereto. He shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the By-laws.

Any Assistant Secretary shall have the authority to perform the duties of the Secretary and such other duties as may be assigned by the Chairman or the Secretary.

Section 11. The General Counsel shall advise and represent the Company generally in all legal matters and proceedings and shall act as counsel to the Board of Directors and the Executive Committee. The General Counsel may sign and execute pleadings, powers of attorney pertaining to legal matters, and any other contracts and documents in the regular course of his duties.

Section 12. In addition to such bank accounts and brokerage accounts as may be authorized in the usual manner by resolution of the Board of Directors, the Treasurer or the Controller of the Company, with the approval of any one of the Chairman, the President, or the Chief Financial Officer, may authorize such bank accounts or brokerage accounts to be opened or maintained in the name and on behalf of the Company as he or she may deem necessary or appropriate. Payments from such bank accounts shall be made upon and according to a check or draft which may be signed jointly or singly by either the manual or facsimile signature or signatures of such officers or bonded employees of the Company as shall be specified in the written instruction of the Chief Financial Officer, the Treasurer, or the Controller of the Company. With respect to any brokerage account established pursuant to this Section 12, any of the Chairman, the Chief Financial Officer, the Treasurer, the Controller or any other employee of the Company specified in written instructions by the Chief Financial Officer or Treasurer of the Company shall be fully authorized and empowered to purchase, sell, assign, transfer and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities owned by the Company or registered in the name of the Company, and such persons shall be authorized to make, execute and deliver any and all written instruments of assignment and transfer necessary or proper to give effect to any transaction in such brokerage account.

Section 13. In case any office shall become vacant, the Board of Directors shall have power to fill such vacancies. In case of the absence or disability of any officer, the Board of Directors may delegate the powers or duties of any officer to another officer or a director for the time being.

Section 14. Unless otherwise ordered by the Board of Directors, the Chairman, the President, the Chief Financial Officer, the Secretary or any officer thereunto duly authorized by the Chairman shall have full power and authority on behalf of the Company to attend and to vote at any meeting of stockholders of any corporation in which the Company may hold stock, and may exercise on behalf of the Company any and all of the rights and powers incident to the ownership of such stock at any such meeting, and shall have power and authority to execute and deliver proxies and consents on behalf of the Company in connection with the exercise by the Company of the rights and powers incident to the ownership of such stock. The Board of Directors, from time to time, may confer like powers upon any other person or persons.

Section 15. The salaries of officers, agents, and employees though the same be directors and/or stockholders, shall be fixed by the Board of Directors.

ARTICLE VIII

Capital Stock

Section 1. Certificates for stock of the company shall be in such form as the Board of Directors may from time to time prescribe and shall be signed by the Chairman of the Board or the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an assistant Treasurer, manually or in facsimile. A stock certificate signed (manually or in facsimile) by an officer of the Company shall be valid even though such person no longer holds office when the certificate is issued. Notwithstanding the foregoing provisions regarding share certificates, the Board of Directors of the Company may provide that some or all of any or all classes or series of the Company's common or preferred stock may be uncertificated shares.

Section 2. The Board of Directors shall have power to appoint one or more Registrars and Transfer Agents for the registration and transfer of certificates of stock of any class, and may require that stock certificates shall be countersigned and registered by one or more of such Registrars and Transfer Agents.

Section 3. Shares of capital stock of the Company shall be transferable on the books of the Company only by the holder of record thereof in person or by duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares.

Section 4. In case any certificate for shares of the capital stock of the Company shall be lost, stolen, or destroyed, the Company may require such proof of the fact and such indemnity to be given to it and to its Transfer Agent and Registrar, if any, as shall be deemed necessary or advisable by it.

Section 5. The Company shall be entitled to treat the holder of record of any share or shares of stock as the holder thereof in fact, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

Section 6. The Board of Directors may fix in advance a date, not exceeding 70 days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting, or entitled to receive payment of any such dividends, or to exercise the rights in respect to any such change, conversion, or exchange of capital stock, and in such case only stockholders of record on the date so fixed shall be entitled

to such notice of and to vote at such meeting, or to receive payment of such dividend, or allotment of rights, or exercise such rights, as the case may be, and notwithstanding any transfer of any stock on the books of the Company after any such record date fixed as herein provided.

ARTICLE IX

Miscellaneous; Dividends

Section 1. The Board of Directors shall have power to fix, and from time to time change, the fiscal year of the company.

Section 2. Any notice required to be given under the provisions of these By-laws or otherwise may be waived by the stockholder, director, or officer to whom such notice is required to be given.

Section 3. The Board of Directors or any committee thereof, may take any action contemplated under these By-laws by unanimous written consent in lieu of meeting.

Section 4. Dividends may be declared by the Board of Directors and paid to shareholders to the extent permitted by law, subject to any conditions and limitations imposed by the Certificate of Incorporation of the Company.

ARTICLE X

The Board of Directors shall have power to add any provision to or to amend or repeal any provision of these By-laws by the vote of a majority of all of the directors at any regular or special meeting of the Board, provided that a statement of the proposed action shall have been included in the notice or waiver of notice of such meeting of the Board. The stockholders may amend or repeal any provision of these By-laws by the vote of a majority of the stock at any meeting, provided that a statement of the proposed action shall have been included in the notice or waiver of notice of such meeting of stockholders.

CERTIFICATIONS

I, Thomas A. James, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Raymond James Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2006

/s/ THOMAS A. JAMES

Thomas A. James

Chairman and Chief Executive Officer

CERTIFICATIONS

I, Jeffrey P. Julien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Raymond James Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2006

/s/ JEFFREY P. JULIEN

Jeffrey P. Julien

Senior Vice President - Finance
and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Raymond James Financial, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. James, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2006

/s/ THOMAS A. JAMES

Thomas A. James

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Raymond James Financial, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey P. Julien, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2006

/s/ JEFFREY P. JULIEN

Jeffrey P. Julien

Chief Financial Officer