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Documents

10-Q	q10063009.htm
	6/30/09 10-Q
EX-4.1	ex4_1.htm
	Desc of Capital Stock
EX-4.2	ex4_2.htm
	Indenture w/ Bank of New York
EX-12.1	ex12_1.htm
	Stmnt of Computation of Ratio of Earnings
EX-25.1	ex25_1.htm
	Stmnt of Eligibility of Bank of New York
EX-31.1	ex31_1.htm
	CEO certification
EX-31.2	ex31_2.htm
	CFO certification
EX-32.1	ex32_1.htm
	CEO SARBOX cert
EX-32.2	ex32_2.htm
	CFO SARBOX cert
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, 2009

or



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

For the transition period from

to

Commission File Number: 1-9109

RAYMOND JAMES FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

No. 59-1517485

(I.R.S. Employer Identification No.)

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

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

None

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

Yes ☐

No ☒

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

123,232,700 shares of Common Stock as of August 5, 2009

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter Ended June 30, 2009

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	June 30, 2009	September 30, 2008
	(in 000's)	
Assets		
Cash and Cash Equivalents	\$ 539,346	\$ 3,207,493
Assets Segregated Pursuant to Regulations and Other Segregated Assets	5,156,139	4,311,933
Securities Purchased under Agreements to Resell and Other Collateralized Financings	564,245	950,546
Financial Instruments, at Fair Value:		
Trading Instruments	304,032	314,008
Available for Sale Securities	537,148	577,933
Private Equity and Other Investments	234,775	209,915
Receivables:		
Brokerage Clients, Net	1,386,060	1,850,464
Stock Borrowed	559,307	675,080
Bank Loans, Net	7,075,572	7,095,227
Broker-Dealers and Clearing Organizations	126,681	186,841
Other	421,469	344,594
Investments in Real Estate Partnerships - Held by Variable Interest Entities	272,975	239,714
Property and Equipment, Net	187,569	192,450
Deferred Income Taxes, Net	148,949	108,765
Deposits With Clearing Organizations	84,222	94,242
Goodwill	62,575	62,575
Prepaid Expenses and Other Assets	169,766	287,836
	\$ 17,830,830	\$ 20,709,616
Liabilities And Shareholders' Equity		
Loans Payable	\$ 110,294	\$ 2,212,224
Loans Payable Related to Investments by Variable Interest Entities in Real Estate Partnerships	88,055	102,564
Payables:		
Brokerage Clients	6,549,238	5,789,952
Stock Loaned	577,906	695,739
Bank Deposits	7,637,558	8,774,457
Broker-Dealers and Clearing Organizations	62,790	266,272
Trade and Other	243,423	154,915
Trading Instruments Sold but Not Yet Purchased, at Fair Value	45,241	123,756
Securities Sold Under Agreements to Repurchase	84,081	122,728
Accrued Compensation, Commissions and Benefits	258,369	345,782
	15,656,955	18,588,389
Minority Interests	211,767	237,322
Commitments and Contingencies (See Note 12)		
Shareholders' Equity:		
Preferred Stock; \$.10 Par Value; Authorized 10,000,000 Shares; Issued and Outstanding -0- Shares	-	-
Common Stock; \$.01 Par Value; Authorized 350,000,000 Shares; Issued 126,695,580 at June 30, 2009 and 124,078,129 at September 30, 2008	1,222	1,202
Shares Exchangeable into Common Stock; 249,168 at June 30, 2009 and 273,042 at September 30, 2008	3,198	3,504
Additional Paid-In Capital	402,271	355,274
Retained Earnings	1,708,475	1,639,662
Accumulated Other Comprehensive Income	(67,174)	(33,976)
	2,047,992	1,965,666
Less: 4,020,603 and 3,825,619 Common Shares in Treasury, at Cost	(85,884)	(81,761)
	1,962,108	1,883,905
	\$ 17,830,830	\$ 20,709,616

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenues:				
Securities Commissions and Fees	\$ 405,925	\$ 483,225	\$ 1,193,855	\$ 1,437,327
Investment Banking	20,586	36,236	59,320	87,323
Investment Advisory Fees	27,558	51,492	110,954	161,416
Interest	98,037	156,935	349,722	561,199
Net Trading Profits	13,272	11,100	35,213	5,256
Financial Service Fees	30,909	31,774	94,849	97,512
Other	35,965	37,986	80,583	95,040
Total Revenues	632,252	808,748	1,924,496	2,445,073
Interest Expense	7,453	66,724	46,088	325,535
Net Revenues	624,799	742,024	1,878,408	2,119,538
Non-Interest Expenses:				
Compensation, Commissions and Benefits	406,809	490,479	1,217,965	1,434,389
Communications and Information Processing	26,690	30,899	91,869	93,140
Occupancy and Equipment Costs	26,299	26,102	77,679	71,600
Clearance and Floor Brokerage	8,377	7,969	24,429	23,648
Business Development	18,652	24,527	62,193	70,130
Investment Advisory Fees	7,114	12,997	24,058	38,490
Bank Loan Loss Provision	29,790	12,366	129,639	36,299
Other	24,378	21,992	71,003	51,253
Total Non-Interest Expenses	548,109	627,331	1,698,835	1,818,949
Minority Interest in (Losses) Earnings of Subsidiaries	(4,381)	425	7,318	3,104
Income Before Provision for Income Taxes	72,309	115,118	186,891	303,693
Provision for Income Taxes	29,714	45,180	77,110	117,723
Net Income	\$ 42,595	\$ 69,938	\$ 109,781	\$ 185,970
Net Income per Share-Basic	\$ 0.36	\$ 0.60	\$ 0.94	\$ 1.59
Net Income per Share-Diluted	\$ 0.36	\$ 0.59	\$ 0.93	\$ 1.56
Weighted Average Common Shares				
Outstanding-Basic	118,177	115,633	117,239	116,573
Weighted Average Common and Common Equivalent Shares Outstanding-Diluted	119,460	118,272	118,411	119,212
Dividends Paid per Common Share	\$ 0.11	\$ 0.11	\$ 0.33	\$ 0.33
Net Income	\$ 42,595	\$ 69,938	\$ 109,781	\$ 185,970
Other Comprehensive Income:				
Change in Unrealized Gain/(Loss) on Available for Sale Securities, Net of Tax	17,256	1,834	(19,399)	(35,383)
Change in Currency Translations	10,608	874	(13,800)	(3,503)
Total Comprehensive (Loss) Income	\$ 70,459	\$ 72,646	\$ 76,582	\$ 147,084
Other-Than-Temporary Impairment:				
Total Other-Than-Temporary Impairment Losses	\$ (12,057)	\$ (2,823)	\$ (23,582)	\$ (2,823)
Portion of Losses Recognized in Other Comprehensive Income (Before Taxes)	10,597	-	15,386	-
Net Impairment Losses Recognized in Other Revenue	\$ (1,460)	\$ (2,823)	\$ (8,196)	\$ (2,823)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	June 30, 2009	June 30, 2008
Cash Flows From Operating Activities:		
Net Income	\$ 109,781	\$ 185,970
Adjustments to Reconcile Net Income to Net		
Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	25,339	20,240
Deferred Income Taxes	(28,977)	17,351
Premium and Discount Amortization on Available for Sale Securities and Unrealized/Realized Gain on Other Investments	(9,680)	(17,290)
Other-than-Temporary Impairment on Available for Sale Securities	8,196	2,823
Impairment of and Loss on Sale of Property and Equipment	7,278	40
Gain on Sale of Loans Available for Sale	(637)	(304)
Provision for Loan Loss, Legal Proceedings, Bad Debts and Other Accruals	141,800	43,465
Stock-Based Compensation Expense	19,498	27,102
Loss on Company-Owned Life Insurance	11,807	9,199
(Increase) Decrease in Operating Assets:		
Assets Segregated Pursuant to Regulations and Other Segregated Assets	(844,206)	6,407
Receivables:		
Brokerage Clients, Net	462,877	(264,674)
Stock Borrowed	115,773	125,352
Broker-Dealers and Clearing Organizations	60,160	91,702
Other	(80,442)	(35,921)
Securities Purchased Under Agreements to Resell and Other Collateralized Financings, Net of Securities Sold Under Agreements to Repurchase	(17,346)	(162,567)
Trading Instruments, Net	(68,539)	61,680
Proceeds from Sale of Loans Available for Sale	79,163	26,907
Origination of Loans Available for Sale	(102,888)	(26,111)
Excess Tax Benefits from Stock-Based Payment Arrangements	(2,693)	(392)
Prepaid Expenses and Other Assets	100,085	(63,469)
Minority Interest	7,318	(3,104)
Increase (Decrease) in Operating Liabilities:		
Payables:		
Brokerage Clients	759,286	149,579
Stock Loaned	(117,833)	(103,559)
Broker-Dealers and Clearing Organizations	(203,482)	71,282
Trade and Other	92,984	9,428
Accrued Compensation, Commissions and Benefits	(86,301)	(44,241)
Net Cash Provided by Operating Activities	438,321	126,895

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	June 30, 2009	June 30, 2008
Cash Flows from Investing Activities:		
Additions to Property and Equipment, Net	(28,996)	(35,348)
Bank Loan Originations and Purchases	(2,173,221)	(4,342,767)
Bank Loan Repayments and Increase in Unearned Fees, net	2,066,685	2,006,563
Purchases of Private Equity and Other Investments, Net	(34,240)	(23,654)
Investments in Company-Owned Life Insurance	(12,000)	(47,818)
Investments in Real Estate Partnerships-Held by Variable Interest Entities	(33,261)	(1,545)
Repayments of Loans by Investor Members of Variable Interest Entities Related to Investments in Real Estate Partnerships	1,661	6,112
Securities Purchased Under Agreements to Resell, Net	365,000	180,000
Purchases of Available for Sale Securities	(102,516)	(189,565)
Available for Sale Securities Maturations and Repayments	104,583	81,376
Net Cash Provided by (Used in) Investing Activities	153,695	(2,366,646)
Cash Flows from Financing Activities:		
Proceeds from Borrowed Funds, Net	468	200,000
Repayments of Borrowings, Net	(2,102,398)	(9,736)
Proceeds from Borrowed Funds Related to Company-Owned Life Insurance	38,120	-
Proceeds from Borrowed Funds Related to Investments by Variable Interest Entities in Real Estate Partnerships	3,712	4,237
Repayments of Borrowed Funds Related to Investments by Variable Interest Entities in Real Estate Partnerships	(18,221)	(19,519)
Proceeds from Capital Contributed to Variable Interest Entities Related to Investments in Real Estate Partnerships	28,266	28,264
Minority Interest	(34,020)	(15,336)
Exercise of Stock Options and Employee Stock Purchases	22,385	26,140
(Decrease) Increase in Bank Deposits	(1,136,899)	2,160,880
Purchase of Treasury Stock	(6,563)	(67,243)
Dividends on Common Stock	(40,464)	(40,227)
Excess Tax Benefits from Stock-Based Payment Arrangements	2,693	392
Net Cash (Used in) Provided by Financing Activities	(3,242,921)	2,267,852
Currency Adjustment:		
Effect of Exchange Rate Changes on Cash	(11,025)	(3,503)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,661,930)	24,598
Cash Reduced by Deconsolidation of Certain Internally Sponsored Private Equity Limited Partnerships	(6,217)	-
Cash and Cash Equivalents at Beginning of Year	3,207,493	644,943
Cash and Cash Equivalents at End of Period	\$ 539,346	\$ 669,541
Supplemental Disclosures of Cash Flow Information:		
Cash Paid for Interest	\$ 47,914	\$ 330,370
Cash Paid for Income Taxes	\$ 98,078	\$ 109,942

See accompanying Notes to Condensed Consolidated Financial Statements.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2009

NOTE 1 - BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements include the accounts of Raymond James Financial, Inc. ("RJF") and its consolidated subsidiaries that are generally controlled through a majority voting interest. RJF is a holding company headquartered in Florida whose subsidiaries are engaged in various financial service businesses; as used herein, the term "the Company" refers to RJF and/or one or more of its subsidiaries. In accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46R, "Consolidation of Variable Interest Entities" ("FIN 46R"), the Company also consolidates any variable interest entities ("VIEs") for which it is the primary beneficiary. Additional information is provided in Note 7 below. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity, the Company applies the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

During the three months ended March 31, 2009, the Company relinquished control over the general partners of certain internally sponsored private equity limited partnerships. As a result, the Company deconsolidated seven entities during the three months ended March 31, 2009, which had assets of approximately \$47.6 million. No such deconsolidation of entities occurred during the most recent quarter ended June 30, 2009.

Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") but not required for interim reporting purposes has been condensed or omitted. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. Subsequent events have been evaluated for either recognition in these interim financial statements, or for disclosure purposes herein as appropriate, through August 10, 2009 which is the date the unaudited condensed consolidated financial statements were issued, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events". The nature of the Company's business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2008. To prepare consolidated financial statements in conformity with GAAP, management must estimate certain amounts that affect the reported assets and liabilities, disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Certain revisions and reclassifications have been made to the unaudited condensed consolidated financial statements of the prior period to conform to the current period presentation. During the quarter ended December 31, 2008, the Company reclassified cash collateral related to interest rate swap contracts in accordance with FASB Staff Position ("FSP") FIN No. 39-1, "Amendment of FASB Interpretation No. 39" ("FSP FIN No. 39-1"). See Note 2 below for further discussion of the Company's adoption of this accounting pronouncement. The Condensed Consolidated Statements of Financial Condition were adjusted for the period ended September 30, 2008, which resulted in reclassifications between Broker-Dealers and Clearing Organizations Receivables and Payables, Trading Instruments, and Trading Instruments Sold but Not Yet Purchased, netting to a \$22.2 million adjustment between total assets and total liabilities. This reclassification had an immaterial impact to the Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2008. In the quarter ended December 31, 2008, a new intersegment component to the Company's segment reporting was added to reflect total gross revenues by segment with the elimination of intersegment transactions in this new segment. In addition, the methodology for allocating the Company's corporate bonus pool expense to individual segments was changed. Reclassifications have been made in the segment disclosure for the nine months ended June 30, 2008 to conform to this presentation. Additional information is provided in Note 18 below. In the quarter ended December 31, 2008, the Condensed Consolidated Statements of Financial Condition were adjusted to reflect the reclassification of certain other investments from Prepaid Expenses and Other Assets to Private Equity and Other Investments. This reclassification included the Company's private equity investments and other miscellaneous investments recorded at fair value and totaled \$157.2 million at September 30, 2008. The Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2008 were adjusted for this reclassification, which resulted in a net increase of \$26.1 million in cash flows provided by operating activities with the offset to cash flows used in investing activities. In addition, for the nine months ended June 30, 2008 the Condensed Consolidated Statements of Cash Flows were adjusted for a \$47.8 million reclassification of investments in company-owned life insurance from an operating activity to an investing activity.

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

NOTE 2 – EFFECTS OF RECENTLY ISSUED ACCOUNTING STANDARDS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP SFAS No. 107-1 and APB 28-1"). FSP SFAS No. 107-1 and APB 28-1 expands the fair value disclosures required for all financial instruments within the scope of SFAS 107 to interim reporting periods. This FSP also amends APB Opinion No. 28, "Interim Financial Reporting" to require those disclosures in summarized financial information at interim reporting periods. This interpretation is effective for interim reporting periods ending after June 15, 2009 (April 1, 2009 for the Company). The Company adopted FSP SFAS No. 107-1 and APB 28-1 for the quarter ended June 30, 2009. See Note 3 below for the required disclosures under FSP SFAS No. 107-1 and APB 28-1.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140" (SFAS 166"). SFAS 166 eliminates the Qualified Special Purpose Entity (QSPE) concept, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies the derecognition criteria, revises how retained interests are initially measured, and removes the guaranteed mortgage securitization recharacterization provisions. SFAS 166 requires additional year-end and interim disclosures that are similar to the disclosures required by FSP SFAS No. 140-4 and FIN 46R-8. SFAS 166 is effective for the Company on October 1, 2010, and for subsequent interim and annual reporting periods. Early adoption is prohibited. SFAS 166's disclosure requirements must be applied to transfers that occurred before and after its effective date. The Company is currently evaluating the impact the adoption of SFAS 166 will have on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No 46(R)" ("SFAS 167"). SFAS 167 amends the guidance in FASB Interpretation 46R related to the consolidation of variable interest entities. SFAS 167 requires the reporting entities to evaluate former QSPE's for consolidation, changes the approach to determine a variable interest entity's primary beneficiary from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest, and increases the frequency of required assessments to determine whether a company is the primary beneficiary of a variable interest entity. SFAS 167 is effective for the Company on October 1, 2010 and earlier adoption is prohibited. The Company is currently evaluating the impact the adoption of SFAS 167 will have on its consolidated financial statements.

NOTE 3 - FAIR VALUE:

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

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

In determining fair value, the Company uses various valuation approaches, including market, income and/or cost approaches. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, the Company's own assumptions reflect those that market participants would use in pricing the asset or liability at the measurement date. SFAS 157 describes the following three levels used to classify fair value measurements:

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

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

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

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

Valuation Techniques

Notwithstanding the valuation approach utilized as discussed above, the fair value for certain financial instruments is derived using pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments. Financial instruments for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than financial instruments that are thinly traded or not quoted. In accordance with SFAS 157, the criteria used to determine whether the market for a financial instrument is active or inactive is based on the particular asset or liability. For equity securities, the Company's definition of actively traded was based on average daily volume and other market trading statistics. The Company considered the market for other types of financial instruments, including certain CMOs, asset backed securities ("ABS") and certain collateralized debt obligations, to be inactive as of June 30, 2009. As a result, the valuation of these financial instruments included significant management judgment in determining the relevance and reliability of market information available. The Company considered the inactivity of the market to be evidenced by several factors, including decreased price transparency caused by decreased volume of trades relative to historical levels, stale transaction prices and transaction prices that varied significantly either over time or among market makers. The specific valuation techniques utilized for the category of financial instruments presented in the unaudited Condensed Consolidated Statements of Financial Condition are described below.

Cash Equivalents

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

Trading Instruments and Trading Instruments Sold but Not Yet Purchased

Trading Securities

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

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

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

Derivative Contracts

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

Available for Sale Securities

Available for sale securities are comprised primarily of CMOs and other residential mortgage related debt securities. Debt and equity securities classified as available for sale are reported at fair value with unrealized gains and losses, net of deferred taxes, reported in shareholders' equity as a component of accumulated other comprehensive income ("OCI") unless the loss is considered to be other-than-temporary, in which case, the related credit loss portion is recognized as a loss in other revenue. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information.

The fair value of available for sale securities is determined by obtaining third party pricing service bid quotations and third party broker-dealer quotes. Third party pricing service bid quotations are based on current market data. The third party pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other current market information as well as cash flow expectations and, when available, loan performance data. The market inputs the third party pricing service normally seeks for these price evaluations are based upon observable data including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Securities valued using these valuation techniques are generally classified within Level 2 of the fair value hierarchy.

For all subordinated non-agency CMOs, the Company estimates fair value by utilizing discounted cash flow analyses, using observable market data where available as well as unobservable inputs provided by management. The unobservable inputs utilized in these valuation techniques reflect the Company's own supposition about the assumptions that market participants would use in pricing a security, including those about future delinquencies, loss severities, defaults and prepayments. Securities valued using these valuation techniques are classified within Level 3 of the fair value hierarchy.

Upon adopting FSP SFAS No. 157-4 during the quarter ended March 31, 2009, the Company changed the valuation technique used for senior non-agency CMOs as a result of the significant decrease in the volume and level of activity for these securities. The Company utilizes a discounted cash flow analysis to determine which price quote is most representative of fair value under the current market conditions. In most cases (16 of 25 senior securities), third party pricing service bid quotations based upon observable data as described above was determined to be the most representative indication of fair value for these securities. For the remaining senior securities, the Company's discounted cash flow analysis indicated third party broker-dealer quotes as more representative and accordingly, the Company gave correspondingly more weight to that indicator of fair value. In order to validate that the inputs used by the third party pricing service are observable, management requests on a quarterly basis, the inputs for a sample of senior securities and compares these inputs to those used in the Company's discounted cash flow analysis. Securities measured using these valuation techniques are generally classified within Level 2 of the fair value hierarchy.

If these sources are not available or are deemed unreliable, then a security's fair value is estimated using the Company's discounted cash flow analyses as is used for the subordinated non-agency CMOs. In such instances, the securities measured are generally classified within Level 3 of the fair value hierarchy.

Private Equity Investments

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

Other Investments

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

Recurring Fair Value Measurements

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

June 30, 2009 (in 000's)	Level 1	Level 2	Level 3	FIN 39 Netting (1)	Total
Assets:					
Cash Equivalents	\$ 122,385	\$ -	\$ -	\$ -	\$ 122,385
Trading Instruments:					
Provincial and Municipal Obligations	350	53,646	7,772	-	61,768
Corporate Obligations	4,920	16,102	3,264	-	24,286
Government Obligations	27,741	-	-	-	27,741
Agency MBS and CMOs	18	93,745	-	-	93,763
Non-Agency CMOs and ABS	-	1,064	12,896	-	13,960
Total Debt Securities	33,029	164,557	23,932	-	221,518
Derivative Contracts	-	106,704	-	(80,519)	26,185
Equity Securities	52,463	1,046	-	-	53,509
Other Securities	174	2,625	21	-	2,820
Total Trading Instruments	85,666	274,932	23,953	(80,519)	304,032
Available for Sale Securities:					
Agency MBS and CMOs	-	297,796	-	-	297,796
Non-Agency CMOs	-	229,485	4,853	-	234,338
Other Securities	5	5,009	-	-	5,014
Total Available for Sale Securities	5	532,290	4,853	-	537,148
Private Equity and Other Investments:					
Private Equity Investments	-	-	140,108	-	140,108
Other Investments	89,284	5,157	226	-	94,667
Total Private Equity and Other Investments	89,284	5,157	140,334	-	234,775
Other Assets	-	388	-	-	388
Total	\$ 297,340	\$ 812,767	\$ 169,140	\$ (80,519)	\$ 1,198,728
Liabilities:					
Trading Instruments Sold but Not Yet Purchased:					
Provincial and Municipal Obligations	\$ -	\$ 254	\$ -	\$ -	\$ 254
Corporate Obligations	-	399	-	-	399
Government Obligations	30,517	-	-	-	30,517
Agency MBS and CMOs	555	1	-	-	556
Total Debt Securities	31,072	654	-	-	31,726
Derivative Contracts	-	74,166	-	(70,181)	3,985
Equity Securities	9,392	20	-	-	9,412
Other Securities	-	118	-	-	118
Total Trading Instruments Sold but Not Yet Purchased	40,464	74,958	-	(70,181)	45,241
Other Liabilities	-	-	184	-	184
Total	\$ 40,464	\$ 74,958	\$ 184	\$ (70,181)	\$ 45,425

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

Level 3 Items Measured at Fair Value on a Recurring Basis

Assets and liabilities are considered Level 3 in the fair value hierarchy when their value is determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 instruments also include those for which the determination of fair value requires significant management judgment or estimation. As of June 30, 2009, 6.72% and 0.29% of the Company's total assets and total liabilities, respectively, represented in the fair value hierarchy are measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2009 represent 0.95% of the Company's total assets.

The realized and unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs. The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the three and nine months ended June 30, 2009:

Level 3 Financial Assets at Fair Value							Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at June 30, 2009
Three Months Ended June 30, 2009 (in 000's)	Fair Value, March 31, 2009	Total Realized /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers In and/ or Out of Level 3	Fair Value, June 30, 2009	
Assets:							
Trading Instruments:							
Provincial and Municipal Obligations	\$ 7,962	\$ (52)	\$ -	\$ (138)	\$ -	\$ 7,772	\$ (80)
Corporate Obligations	3,834	(570)	-	-	-	3,264	(570)
Non-Agency CMOs and ABS	15,484	(2,173)	-	(415)	-	12,896	-
Other Securities	-	-	-	21	-	21	-
Available for Sale Securities:							
Non-Agency CMOs	5,323	(1,312)	997	(155)	-	4,853	(1,312)
Private Equity and Other							
Investments:							
Private Equity Investments	130,902	9,504 ¹	-	(298)	-	140,108	9,504
Other Investments	221	1	-	4	-	226	1
Liabilities:							
Other Liabilities	\$ 253	\$ 69	\$ -	\$ -	\$ -	\$ 184	\$ (2)

(1) Includes \$12.1 million of income from the write-up of a private equity investment. Since the Company only owns a portion of this investment, only \$1.8 million of this gain is included in the Company's income after minority interest eliminations.

Nine months ended June 30, 2009 (in 000's)	Level 3 Financial Assets at Fair Value					Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at June 30, 2009	
	Fair Value, September 30, 2008	Total Realized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Other Comprehensive Income	Purchases, and Issuances, Settlements, Net	Transfers In and/ or Out of Level 3		
Assets:							
Trading Instruments:							
Provincial and Municipal Obligations	\$ 7,107	\$ (468)	\$ -	\$ 1,133	\$ -	\$ 7,772	\$ (496)
Corporate Obligations	-	(708)	-	138	3,834 ¹	3,264	(708)
Non-Agency CMOs and ABS	20,220	(4,786)	-	(2,538)	-	12,896	(2,996)
Other Securities	-	-	-	21	-	21	-
Available for Sale Securities:							
Non-Agency CMOs	8,710	(7,279)	3,653	(231)	-	4,853	(7,279)
Private Equity and Other Investments:							
Private Equity Investments	153,282	9,129 ²	-	(22,303) ³	-	140,108	9,257
Other Investments	844	133	-	(751)	-	226	(129)
Liabilities:							
Other Liabilities	\$ 178	\$ (6)	\$ -	\$ -	\$ -	\$ 184	\$ (111)

- 1) The level classification transfer of a corporate obligation was driven by changes in the price transparency for the security. This classification transfer occurred as of March 31, 2009.
- 2) Includes \$12.1 million of income from the write-up of a private equity investment. Since the Company only owns a portion of this investment, only \$1.8 million of this gain is included in the Company's income after minority interest eliminations.
- 3) Excluding the impact of the deconsolidation of certain internally sponsored private equity limited partnerships, the purchases of private equity investments net of any distributions received was \$6.2 million for the period presented. See Note 1 above for additional information.

Gains and losses (realized and unrealized) included in earnings for the three and nine months ended June 30, 2009 are reported in net trading profits and other revenues in the Company's statements of income as follows:

Three Months Ended June 30, 2009 (in 000's)	Net Trading Profits	Other Revenues
Total gains or losses included in earnings	\$ (2,795)	\$ 8,262
Change in unrealized gains or losses relating to assets still held at reporting date	\$ (650)	\$ 8,191
Nine Months Ended June 30, 2009 (in 000's)	Net Trading Profits	Other Revenues
Total gains or losses included in earnings	\$ (5,962)	\$ 1,977
Change in unrealized gains or losses relating to assets still held at reporting date	\$ (4,200)	\$ 1,738

Nonrecurring Fair Value Measurements

Certain assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value measurement in certain circumstances, for example, when there is evidence of impairment. These instruments are measured at fair value on a nonrecurring basis and include certain loans that have been deemed impaired.

When a loan held for investment is deemed impaired, a creditor measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, impairment may be measured based on the fair value of the loan cash flow or on the fair value of the underlying collateral if the loan is collateral supported. As of June 30, 2009, loans deemed to be impaired were subsequently measured at fair value totaling \$82.2 million, net of amounts charged off and a \$13.0 million allowance for loan losses.

The following table presents financial instruments by level within the fair value hierarchy at June 30, 2009, for which a nonrecurring change in fair value was recorded during the year ended June 30, 2009.

(in 000's)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Bank Loans	\$ -	\$ -	\$ 82,185	\$ 82,185

The adjustments to fair value of these loans outstanding at June 30, 2009 for the three and nine months ended June 30, 2009 resulted in \$14.9 million and \$55.8 million in losses, respectively.

Fair Value Option

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

FAIR VALUE DISCLOSURES

Many but not all of the financial instruments held by the Company are recorded at fair value on the Condensed Consolidated Statements of Financial Condition. SFAS 107 requires the disclosure of the estimated fair value of certain financial instruments and significant assumptions used to estimate their fair value. Effective for the quarter ended June 30, 2009, the Company has adopted FSP SFAS No. 107-1 which requires fair value disclosures as detailed within SFAS 107 to be included in interim reporting periods.

The fair values of financial instruments for which the Company did not elect the fair value option or value in accordance with SFAS 157 have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable values could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Company. The provisions of SFAS 107 do not require the disclosure of the fair value of non-financial instruments including property, equipment and leasehold improvements as well as goodwill.

The following disclosures represent financial instruments in which the ending balance at June 30, 2009 are not carried at fair value in accordance with SFAS 157 on the Company's Consolidated Statements of Financial Condition:

Short-term Financial Instruments: The carrying value of short-term financial instruments, including cash and cash equivalents, assets segregated pursuant to federal regulations and other segregated assets, securities either purchased or sold under agreements to resell and other collateralized financings are recorded at amounts that approximate the fair value of these instruments. These financial instruments generally expose the Company to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market rates.

Bank Loans, Net: These financial instruments are primarily comprised of loans originated or purchased by RJ Bank and include commercial and residential real estate loans, as well as commercial and consumer loans intended to be held until maturity or payoff. In addition, these financial instruments consist of residential mortgage loans originated by RJ Bank for sale in the secondary market as well as corporate loans held for sale. The remainder of these balances includes the guaranteed portions of Small Business Administration (“SBA”) loans purchased by RJ Bank with the intention to pool for the securitization to the secondary market.

For variable-rate loans held for investment, which reprice frequently and have no significant change in credit risk, fair values approximate carrying values. Fair values for fixed-rate loans held for investment are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Any loans held for investment which are deemed to be impaired are disclosed in the nonrecurring fair value measurements above. The fair value of loans held for sale and those purchased in the SBA market is estimated using current market prices for loans with similar terms and borrowers of similar credit quality.

Receivables and Other Assets: Brokerage client receivables, receivables from broker-dealers and clearing organizations, stock borrowed receivables, other receivables, and certain other assets are recorded at amounts that approximate fair value. RJ Bank holds stock in the Federal Home Loan Bank (“FHLB”) which is not publicly traded. Cost was used to estimate the fair value, since the FHLB will buy back at par any holdings of excess stock above that required for membership. In addition, RJ Bank holds a small Community Reinvestment Act investment for which cost approximates fair value.

Bank Deposits: The fair values for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate money-market and savings accounts approximate their fair values at the reporting date as these are short-term in nature. Fair values for fixed-rate certificate accounts are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of expected monthly maturities on time deposits.

Loans Payable: The fair value of the FHLB advances held at RJ Bank is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered by creditors for advances of similar terms and remaining maturities. The fair value of the mortgage note payable associated with the financing of the Company’s home office complex is based upon an estimate of the current market rates for similar loans.

Payables: Brokerage client payables, payables due to broker-dealers and clearing organizations, stock loaned payables, and trade and other payables are recorded at amounts that approximate fair value.

The carrying amounts and estimated fair values of the Company’s financial instruments that are not carried at fair value at June 30, 2009 are as follows:

	June 30, 2009	
	Carrying Amount	Estimated Fair Value
	(in 000’s)	
Financial Assets:		
Bank Loans, Net	\$ 7,075,572	\$ 7,187,576
Financial Liabilities:		
Loans Payable	110,294	111,175
Bank Deposits	7,637,558	7,644,081

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

	June 30, 2009		September 30, 2008	
	Trading Instruments	Instruments Sold but Not Yet Purchased	Trading Instruments	Instruments Sold but Not Yet Purchased
	(in 000's)			
Provincial and Municipal Obligations	\$ 61,768	\$ 254	\$ 101,748	\$ 79
Corporate Obligations	24,286	399	34,617	-
Government Obligations	27,741	30,517	28,896	82,062
Agency MBS and CMOs	93,763	556	60,260	25
Non-Agency CMOs and ABS	13,960	-	9,811	-
Total Debt Securities	221,518	31,726	235,332	82,166
Derivative Contracts	26,185	3,985	35,315	19,302
Equity Securities	53,509	9,412	42,391	22,288
Other Securities	2,820	118	970	-
Total	\$ 304,032	\$ 45,241	\$ 314,008	\$ 123,756

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

See Note 3 above for information regarding the fair value of Trading Instruments and Trading Instruments Sold but Not Yet Purchased.

NOTE 5 - AVAILABLE FOR SALE SECURITIES:

Available for sale securities are comprised primarily of CMOs, other residential mortgage-related debt securities owned by RJ Bank, and certain equity securities owned by the Company's non-broker-dealer subsidiaries. There were no proceeds from the sale of available for sale securities for the three and nine months ended June 30, 2009 and 2008.

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

	June 30, 2009			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in 000's)			
Agency Mortgage Backed Securities and Collateralized Mortgage Obligations	\$ 301,310	\$ 160	\$ (3,674)	\$ 297,796
Non-Agency Collateralized Mortgage Obligations	350,373	3	(116,038)	234,338
Other Securities	5,000	9	-	5,009
Total RJ Bank Available for Sale Securities	656,683	172	(119,712)	537,143
Other Securities	3	2	-	5
Total Available for Sale Securities	\$ 656,686	\$ 174	\$ (119,712)	\$ 537,148

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

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

The following table shows the contractual maturities, carrying values and current yields for RJ Bank's available for sale securities at June 30, 2009. Since RJ Bank's available for sale securities are backed by mortgages, actual maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties.

	Within One Year		After One But Withing Five Years		After Five But Withing Ten Years		After Ten Years		Total	
	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield	Balance Due	Weighted Average Yield
	(\$ in 000's)									
Agency Mortgage Backed Securities	\$ -		\$ 13,411	1.40%	\$ 117,310	1.24%	\$ 167,075	1.36%	\$ 297,796	1.31%
Non-Agency Collateralized Mortgage Obligations	-		-	-	-	-	234,338	8.56%	234,338	8.56%
Other Securities	-		5,009	0.74%	-	-	-	-	5,009	0.74%
	\$ -		\$ 18,420		\$ 117,310		\$ 401,413		\$ 537,143	

The following table shows RJ Bank's investments' gross unrealized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position at June 30, 2009:

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(in 000's)					
Agency Mortgage Backed Securities and Collateralized Mortgage Obligations	\$ 148,228	\$ (1,342)	\$ 140,806	\$ (2,332)	\$ 289,034	\$ (3,674)
Non-Agency Collateralized Mortgage Obligations	45	(13)	234,152	(116,025)	234,197	(116,038)
Total Temporarily Impaired Securities	\$ 148,273	\$ (1,355)	\$ 374,958	\$ (118,357)	\$ 523,231	\$ (119,712)

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

Agency Mortgage Backed Securities and Collateralized Mortgage Obligations

The Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, both of which were placed under the conservatorship of the U.S. Government on September 7, 2008, as well as the Government National Mortgage Association, guarantee the contractual cash flows of the agency mortgage backed securities. At June 30, 2009, of the 94 U.S. government-sponsored enterprise mortgage backed securities in a continuous unrealized loss position, 20 were in a continuous unrealized loss position for less than 12 months and 74 for 12 months or more. The unrealized losses at June 30, 2009 were primarily due to the continued illiquidity and uncertainty in the markets. The Company does not consider these securities other-than-temporarily impaired due to the guarantee provided by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association as to the full payment of principal and interest, and the fact that the Company has the ability and intent to hold these securities to maturity.

Non-Agency Collateralized Mortgage Obligations

As of June 30, 2009 and including subsequent ratings changes, \$31.4 million of the non-agency collateralized mortgage obligations were rated AAA by two rating agencies and \$202.9 million were rated less than AAA by at least one rating agency. Of the 29 non-agency collateralized mortgage obligations in a continuous unrealized loss position, one was in a continuous unrealized loss position for less than 12 months and 28 for 12 months or more. All of the non-agency securities carry various amounts of credit enhancement, and none are collateralized with subprime loans. These securities were purchased based on the underlying loan characteristics such as loan to value ("LTV") ratio, credit scores, property type, location and the current level of credit enhancement. Current characteristics of each security owned such as delinquency and foreclosure levels, credit enhancement, projected losses and coverage are reviewed monthly by management.

The Company adopted FSP SFAS No. 115-2 and SFAS 124-2 on January 1, 2009. See Note 2 above for additional information. The Company did not record a cumulative-effect adjustment upon adoption of this guidance as the adjustment was deemed to be immaterial.

For securities in an unrealized loss position at quarter end, the Company makes an assessment whether these securities are impaired on an other-than-temporary basis. In order to evaluate the Company's risk exposure and any potential impairment of these securities, characteristics of each security owned such as collateral type, delinquency and foreclosure levels, credit enhancement, projected loan losses and collateral coverage are reviewed monthly by management. The following factors are considered to determine whether an impairment is other-than-temporary: the Company's intention to hold the security, the Company's assessment of whether it more likely than not will be required to sell the security before the recovery of its amortized cost basis, and whether the evidence indicating that the Company will recover the entire amortized cost basis of a security outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to period end, recent events specific to the issuer or industry, forecasted performance of the security, and any changes to the rating of the security by a rating agency.

In applying FSP SFAS No. 115-2 and SFAS 124-2 and FSP EITF 99-20-1, which amended EITF 99-20, the Company determines the cash flows expected to be collected for each security based upon its best estimate of future delinquencies, loss severity and prepayments to determine the probability of future losses resulting in other-than-temporary impairment ("OTTI"). Since the decline in fair value of the securities presented in the table above is not primarily attributable to credit quality but to a significant widening of interest rate spreads across market sectors related to the continued illiquidity and uncertainty in the markets, and because the Company does not intend to sell these securities and it is highly unlikely these securities will have to be sold, it does not consider these securities to be other-than-temporarily impaired as of June 30, 2009. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the credit loss portion of the write-down recorded as a realized loss in other revenue and the non-credit portion of the write-down recorded in OCI. The credit loss portion of the write-down is the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the security. The previous amortized cost basis of the security less the OTTI recognized in earnings establishes the new cost basis for the security.

As of June 30, 2009, those debt securities with other-than-temporary impairment in which only the amount of loss related to credit was recognized in earnings consisted entirely of non-agency collateralized mortgage obligations. The Company estimates the portion of loss attributable to credit using a discounted cash flow model. The Company's discounted cash flow model utilizes relevant assumptions such as prepayment rate, default rate, and loss severity on a loan level basis. Assumptions used can vary widely from loan to loan, and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Company then uses a third party vendor to obtain information about the structure of the security in order to determine how the underlying collateral cash flows will be distributed to each of the security's tranches. Expected principal and interest cash flows on the impaired debt security are discounted using the effective interest rate implicit in the security at the time of acquisition or at the current yield used to accrete the beneficial interest for securities coming within the scope of EITF 99-20.

Based on the expected cash flows derived from the model, the Company expects to recover the remaining unrealized losses on non-agency collateralized mortgage obligations. It is possible that the underlying loan collateral of these securities will perform worse than current expectations, which may lead to adverse changes in the cash flows expected to be collected on these securities and potential future OTTI losses. Significant assumptions used in the valuation of non-agency collateralized mortgage obligations include default rates from 1.4% to 29.8% with a weighted average of 11.7%, loss severity from 10.0% to 58.7% with a weighted average of 36.5% and prepayment rates of 18%. These assumptions are subject to change depending on a number of factors such as economic conditions, changes in home prices, delinquency and foreclosure statistics, among others. Events that may trigger material declines in fair values for these securities in the future would include but are not limited to deterioration of credit metrics, significantly higher levels of default and severity of loss on the underlying collateral, deteriorating credit enhancement and loss coverage ratios, or further illiquidity.

Seven non-agency CMOs were considered to be other-than-temporarily impaired as of June 30, 2009, including the addition of three non-agency CMOs that were not previously considered to be OTTI. Even though there is no intent to sell these securities and it is highly unlikely these securities will have to be sold, the Company does not expect to recover the entire amortized cost basis of these securities, and therefore, recorded \$1.5 million of OTTI in other revenue and recognized a \$10.6 million charge in accumulated OCI during the three months ended June 30, 2009. The Company recorded \$8.2 million of OTTI charges in other revenue and recognized a charge of \$15.4 million in accumulated OCI for the nine months ended June 30, 2009. The Company recognized \$2.8 million of OTTI in other revenue for the three and nine months ended June 30, 2008 for one security which was identified as other-than-temporarily impaired during the third quarter in fiscal 2008.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
(\$ in 000's)				
Amount related to credit losses on securities held by the Company at the beginning of the period	\$ 11,605	\$ -	\$ 4,869	\$ -
Additions for the amount related to credit loss for which an OTTI was not previously recognized (1)	1,430	2,823	6,806	2,823
Additional increases to the amount related to credit loss for which an OTTI was previously recognized (1)	30	-	1,390	-
Amount related to credit losses on securities held by the Company at the end of the period	\$ 13,065	\$ 2,823	\$ 13,065	\$ 2,823

- (1) The Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities before recovery of its amortized cost basis.

NOTE 6 – BANK LOANS, NET:

Bank client receivables are primarily comprised of loans originated or purchased by RJ Bank and include commercial and residential real estate loans, as well as commercial and consumer loans. These receivables are collateralized by first or second mortgages on residential or other real property, by other assets of the borrower, or are unsecured. The following table presents the balance and associated percentage of each major loan category in RJ Bank's portfolio, including loans receivable and loans available for sale:

	June 30, 2009		September 30, 2008	
	Balance	%	Balance	%
	(\$ in 000's)			
Commercial Loans	\$ 862,499	12%	\$ 725,997	10%
Real Estate Construction Loans	398,419	6%	346,691	5%
Commercial Real Estate Loans (1)	3,359,889	46%	3,528,732	49%
Residential Mortgage Loans	2,603,726	36%	2,599,567	36%
Consumer Loans	28,194	-	23,778	-
Total Loans	7,252,727	100%	7,224,765	100%
Net Unearned Income and Deferred Expenses (2)	(40,127)		(41,383)	
Allowance for Loan Losses	(137,028)		(88,155)	
	(177,155)		(129,538)	
Loans, Net	\$ 7,075,572		\$ 7,095,227	

- (1) Of this amount, \$1.3 billion and \$1.2 billion is secured by non-owner occupied commercial real estate properties or their repayment is dependent upon the operation or sale of commercial real estate properties as of June 30, 2009 and September 30, 2008, respectively. The remainder is wholly or partially secured by real estate, the majority of which are also secured by other assets of the borrower.
- (2) Includes purchase premiums, purchase discounts, and net deferred origination fees and costs.

At June 30, 2009 and September 30, 2008, RJ Bank had \$50 million and \$1.7 billion, respectively, in FHLB advances secured by a blanket lien on RJ Bank's residential mortgage loan portfolio. See Note 9 of the Notes to the Condensed Consolidated Financial Statements for more information regarding the FHLB advances.

At June 30, 2009 and September 30, 2008, RJ Bank had \$4.0 million and \$524,000 in residential mortgage loans available for sale, respectively. RJ Bank's gain from the sale of originated residential loans available for sale was \$438,000 and \$304,000 for the nine months ended June 30, 2009 and 2008, respectively.

During the March 31, 2009 quarter, RJ Bank became a participant in the SBA loan market by purchasing the guaranteed portions of SBA Section 7(a) loans. Most SBA 7(a) loans have adjustable rates and float at a spread over prime or LIBOR and reset monthly or quarterly. Once purchased, RJ Bank will typically hold the guaranteed loan for up to 180 days and classify them as held for sale. RJ Bank will aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. Occasionally, an individual loan may be sold prior to securitization. At June 30, 2009, RJ Bank had \$21.5 million in SBA loans held for sale. There was one SBA loan securitization during the quarter ended June 30, 2009, which was subsequently sold during the same quarter. The proceeds from the sale of this SBA loan securitization were \$18.8 million. See Note 16 of the Notes to the Condensed Consolidated Financial Statements for further information regarding RJ Bank's committed sales of SBA loan securitizations. In addition to the SBA loan securitization mentioned above, RJ Bank had sales of individual SBA loans during the three months ended June 30, 2009 totaling \$26.8 million. The gains from the sale of both the SBA loan securitization and the individual SBA loans were immaterial for the three and nine months ended June 30, 2009.

Certain officers, directors, and affiliates, and their related entities were indebted to RJ Bank for a total of \$1.8 million and \$1.9 million at June 30, 2009 and September 30, 2008, respectively. All such loans were made in the ordinary course of business.

Loan interest and fee income for the three months ended June 30, 2009 and 2008 was \$73.2 million and \$83.3 million, respectively. Loan interest and fee income for the nine months ended June 30, 2009 and 2008 was \$253.9 million and \$257.0 million, respectively.

The following table shows the contractual maturities of RJ Bank's loan portfolio at June 30, 2009, including contractual principal repayments. This table does not, however, include any estimates of prepayments. These prepayments could significantly shorten the average loan lives and cause the actual timing of the loan repayments to differ from those shown in the following table:

	Due in			Total
	1 Year or Less	1 Year – 5 Years	>5 Years	
	(in 000's)			
Commercial Loans	\$ 11,650	\$ 702,366	\$ 148,483	\$ 862,499
Real Estate Construction Loans	159,857	220,922	17,640	398,419
Commercial Real Estate Loans (1)	288,562	2,932,296	139,031	3,359,889
Residential Mortgage Loans	426	9,452	2,593,848	2,603,726
Consumer Loans	2,137	817	25,240	28,194
Total Loans	\$ 462,632	\$ 3,865,853	\$ 2,924,242	\$ 7,252,727

- (1) Of this amount, \$1.3 billion and \$1.2 billion is secured by non-owner occupied commercial real estate properties or their repayment is dependent upon the operation or sale of commercial real estate properties as of June 30, 2009 and September 30, 2008, respectively. The remainder is wholly or partially secured by real estate, the majority of which are also secured by other assets of the borrower.

RJ Bank classifies loans as nonperforming when full and timely collection of interest or principal becomes uncertain or when they are 90 days past due. The following table shows the comparative data for nonperforming loans and assets:

	June 30, 2009	September 30, 2008
	(\$ in 000's)	
Nonaccrual Loans	\$ 134,305	\$ 52,033
Accruing Loans Which are 90 Days or more Past Due	16,091	6,131
Total Nonperforming Loans	150,396	58,164
Real Estate Owned and Other Reposessed Assets, Net	9,300	4,144
Total Nonperforming Assets, Net	\$ 159,696	\$ 62,308
Total Nonperforming Assets as a % of Total Loans, Net and Other Real Estate Owned, Net	2.25%	0.88%

The gross interest income related to nonperforming loans, which would have been recorded had these loans been current in accordance with their original terms, totaled \$3.6 million for the quarter ended June 30, 2009 or \$6.4 million since origination. The interest income recognized on nonaccrual loans for the quarter ended June 30, 2009 was \$233,000.

RJ Bank considers a loan to be impaired when it is probable that it will be unable to collect the scheduled payments of principal or interest when due according to the terms of the loan agreement. At June 30, 2009, the gross recorded investment in impaired loans was \$95.2 million with a related allowance for loan losses of \$13.0 million. At September 30, 2008, the gross recorded investment in impaired loans was \$37.5 million with a related allowance for loan losses of \$5.0 million. All recorded impaired loan balances have had reserves established based upon management's analysis.

The average impaired loan balance for the three and nine months ended June 30, 2009 was \$85.9 million and \$59.4 million, respectively. The average impaired loan balance for the three and nine months ended June 30, 2008 was \$12.9 million and \$6.3 million, respectively.

Nonaccrual loans at June 30, 2009 and September 30, 2008 include residential mortgage loans totaling \$33.1 million and \$7.4 million, respectively for which a charge-off had previously been recorded. A charge-off is generally recorded when a loan is 90 days past due and is based upon the difference between the loan amount and the estimated value of the loan collateral.

RJ Bank recognizes interest income on impaired loans using the cash or cost recovery method. Interest income recognized on impaired loans for the three and nine months ended June 30, 2009 was \$17,000 and \$27,000, respectively. No interest income was recognized on impaired loans for the three and nine months ended June 30, 2008.

As of June 30, 2009, three of these impaired corporate loans totaling \$14.0 million were classified as troubled debt restructurings. The balance of corporate troubled debt restructurings was significantly reduced from the prior quarter-end, via the sale of one of the loans which totaled \$27.2 million. As of June 30, 2009 RJ Bank had commitments to lend an additional \$1.3 million to one borrower whose existing corporate loan was classified as a troubled debt restructuring. As of June 30, 2009 four of the impaired residential loans totaling \$1.3 million were classified as troubled debt restructurings.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(\$ in 000's)			
Allowance for Loan Losses, Beginning of Period	\$ 141,343	\$ 70,219	\$ 88,155	\$ 47,022
Provision For Loan Losses	29,790	12,366	129,639	36,299
Charge-Offs:				
Commercial Real Estate Loans	(27,166)	(3,492)	(64,460)	(3,864)
Residential Mortgage Loans	(7,220)	(1,509)	(16,898)	(1,939)
Total Charge-Offs	(34,386)	(5,001)	(81,358)	(5,803)
Total Recoveries	281	(2)	592	64
Net Charge-Offs	(34,105)	(5,003)	(80,766)	(5,739)
Allowance for Loan Losses, End of Period	\$ 137,028	\$ 77,582	\$ 137,028	\$ 77,582
Net Charge-Offs to Average Bank Loans, Net Outstanding (Annualized)	1.81%	0.31%	1.41%	0.13%

The calculation of the allowance reflects management's continuing evaluation of the probable losses inherent in the loan portfolio. The allowance for loan losses is comprised of two components: allowances calculated based on formulas for homogeneous classes of loans and specific allowances assigned to certain classified loans individually evaluated for impairment. The calculation of the allowance based on formulas is subjective as management segregates the loan portfolio into homogeneous classes. Each class is then assigned an allowance percentage based on the perceived risk associated with that class of loans, which is then further segregated by loan grade. The factors taken into consideration when assigning the reserve percentage to each reserve 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, past loss history and examination results from regulatory agencies. In addition, the Company provides for potential losses inherent in RJ Bank's unfunded lending commitments using the criteria above, further adjusted for an estimated probability of funding.

Additionally, every residential and consumer loan over 60 days past due is reviewed by RJ Bank personnel monthly and documented in a written report detailing delinquency information, balances, collection status, appraised value, and other data points. RJ Bank senior management meets monthly to discuss the status, collection strategy and charge-off/write-down recommendations on every residential or consumer loan over 60 days past due. Charge-offs are considered on residential mortgage loans once the loans are delinquent 90 days or more. A charge-off is taken for the difference between the loan amount and the amount that RJ Bank estimates will ultimately be collected, based on the value of the underlying collateral less costs to sell. The property values are adjusted for anticipated selling costs and the balance is charged off against reserves. RJ Bank predominantly uses broker price opinions ("BPO") for these valuations as access to the property is restricted during the foreclosure process and there is insufficient data available for a full appraisal to be performed. BPOs contain relevant and timely sale comparisons and listings in the marketplace, and therefore, management has found these BPOs to be good determinants of market value in lieu of appraisals and are more reliable than an automated valuation tool or the use of tax assessed values. A full appraisal is obtained post-foreclosure. RJ Bank takes further charge-offs against the owned asset if an appraisal has a lower valuation than the original BPO, but does not reverse previously charged-off amounts if the appraisal is higher than the original BPO. If a loan remains in pre-foreclosure status for more than six months, an updated valuation is obtained and further charge-offs are taken if necessary. In addition, these loans are reviewed in a monthly delinquency meeting jointly administered by retail banking and credit risk managers. An initial charge-off is generally taken when the loan is between 90 and 120 days past due.

Corporate loans are monitored on an individual basis, and the loan grade is reviewed at least quarterly to ensure the reserves are appropriate. When RJ Bank determines that it is likely that a corporate loan will not be collected in full, reserves are evaluated in accordance with SFAS No. 114, "Accounting by a Creditor for Impairment of a Loan" ("SFAS 114"). After consideration of the borrower's ability to restructure the loan, alternative sources of repayment, and other factors affecting the borrower's ability to repay the debt, the portion of the reserve deemed to be a confirmed loss, if any, is charged off. For collateral dependent corporate loans secured by real estate, the amount of the reserve considered a confirmed loss and charged off is generally equal to the difference between the recorded investment in the loan and the appraised value less costs to sell the collateral. These impaired loans are then considered to be in a workout status and management continually evaluates all factors relevant in determining the collectability and fair value of the loan. Appraisals on these impaired loans are obtained early in the impairment process as part of determining fair value and are updated as deemed necessary given the facts and circumstances of each individual situation. All individual nonperforming commercial real estate loans as of June 30, 2009, are closely monitored by RJ Bank management. Certain factors such as guarantor recourse, additional borrower cash contributions or stable operations will mitigate the need for more frequent than annual appraisals. In its continuous evaluation of each individual loan, management considers more frequent appraisals in geographies where commercial property values are known to be experiencing a greater amount of volatility. For other corporate loans, RJ Bank evaluates all sources of repayment, including the estimated liquidation value of collateral pledged, to arrive at the amount considered to be a loss and charged off. Similar to retail banking, corporate banking and credit risk managers also hold a monthly meeting to review criticized loans. Additional charge-offs are taken when the value of the collateral changes or there is a change in the expected cash flows.

In addition to the allowance for loan losses shown reflected in Bank Loans, Net, RJ Bank had reserves for unfunded lending commitments included in Trade and Other Payables of \$8.8 million and \$9.2 million at June 30, 2009 and September 30, 2008, respectively. RJ Bank reserves for its unfunded commitments based upon product type and expected funding probabilities for fully binding commitments. This will provide some reserve variability over different periods depending upon the product type mix of the loan portfolio at the time and future funding expectations. Impaired loans which have unfunded lending commitments are analyzed in conjunction with the SFAS 114 impaired reserve process.

RJ Bank's net interest income after provision for loan losses for the three months ended June 30, 2009 and 2008 was \$45.8 million and \$51.6 million, respectively. RJ Bank's net interest income after provision for loan losses for the nine months ended June 30, 2009 and 2008 was \$124.4 million and \$110.8 million, respectively.

RJ Bank originates and purchases residential portfolios of loans that may or may not include interest-only loans that subject the borrower to payment increases over the life of the loan. RJ Bank does not originate or purchase residential loans that have terms that permit negative amortization features or are option adjustable rate mortgages. RJ Bank also does not originate or purchase residential loans with deeply discounted teaser rates.

Loans where borrowers may be subject to payment increases include adjustable rate mortgage loans with terms that initially require payment of interest-only; payments may increase significantly when the interest-only period ends and the loan principal begins to amortize. These loans totaled \$1.8 billion and \$2.0 billion at June 30, 2009 and September 30, 2008, respectively. These loans are underwritten based on a variety of factors including the borrower's credit history, debt to income ratio, employment, the loan-to-value ("LTV") ratio, and the borrower's disposable income and cash reserves. In instances where the borrower is of lower credit standing, the loans are typically underwritten to have a lower LTV ratio and/or other mitigating factors. Loans with aggregate balances totaling \$229.9 million at June 30, 2009 were scheduled to re-price within the next six months. A large percentage of these loans are projected to adjust to a lower payment than the current payment.

Management does not believe these loans represent an unusual concentration of risk, as evidenced by low net charge-offs and past due loans. All of these loans are secured by mortgages on one-to-four family residential real estate and are diversified geographically. Interest-only loans are underwritten at the time of application or are purchased based on the amortizing payment amount, and borrowers are required to meet stringent parameters regarding debt ratios, LTV levels, and credit scores.

High LTV loans include all mortgage loans where the LTV is greater than or equal to 90% and the borrower has not provided other credit support or purchased private mortgage insurance ("PMI"). At June 30, 2009 and September 30, 2008, RJ Bank held \$237,000 and \$472,000, respectively, in total outstanding balances for these loans.

NOTE 7 - 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"), 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 as the Company is the primary beneficiary.

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 made 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. Given the EIF Funds' purpose and design, the Company is deemed to be the entity/person most closely associated with these VIEs. As a result, the Company is deemed to be the primary beneficiary, and accordingly, consolidates the EIF Funds, which had combined assets of approximately \$17.6 million at June 30, 2009. 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 non-recourse loans funded to the employee investors, for which their partnership interests serve as collateral. At June 30, 2009 that exposure is approximately \$2.1 million.

RJTCF is a wholly owned subsidiary of RJF and is the managing member or general partner in approximately 54 separate 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 other limited partnerships which purchase and develop low income housing properties qualifying for tax credits ("project partnerships"). These funds do not invest in property directly and therefore are not directly entitled to residuals from the sale of property. As of June 30, 2009, 51 of these tax credit housing funds are VIEs as defined by FIN 46R. RJTCF's interest in 49 of these VIEs range from .01% to 1.0% and RJTCF's interest in one of the VIE's it consolidates is 53% (See Note 12 of the Notes to the Condensed Consolidated Financial Statements for more information regarding the Company's interest in Fund 34) and RJTCF's interest in the remaining VIE which it also consolidates is 99%.

The Company's determination of the primary beneficiary of each VIE requires judgment and is based on an analysis of all relevant facts and circumstances, including: (1) the existence of a principal-agency relationship between investor member(s) and managing member, (2) the relationship and significance of the activities of the VIE to each member, (3) each member's exposure to the expected losses of the VIE, and (4) the design of the VIE. In the design of tax credit fund VIEs, the overriding premise is that the investor members invest solely for tax attributes associated with the portfolio of low income housing properties held by the VIE, while the managing member, RJTCF, is responsible for overseeing the operations of the VIE. As the managing member or general partner of the tax credit housing funds, RJTCF does not provide guarantees related to the delivery or funding of tax credits or other tax attributes to the investor members or limited partners of these tax credit funds. The investor member(s) or limited partner(s) of the VIEs bear the risk of loss on their investment. Additionally, under the tax credit funds' designed structure, the investor member(s) or limited partner(s) also receive a greater proportion of any proceeds upon a sale of a Project Partnership by a tax credit fund (fund level residuals) than does RJTCF. The Company concluded that the determination of whether RJTCF is the primary beneficiary of a tax credit fund is primarily dependent upon each respective members' ownership interest in the VIE. In instances where there is a single investor member that holds 50% or more of the total investor member tax attributes, RJTCF is not deemed to be the primary beneficiary of such VIEs given that one investor member has the majority of the exposure to the expected losses of the VIE. Conversely, for those tax credit fund VIEs where there is not one single investor member holding a 50% or more interest in the tax attributes, then RJTCF is deemed to be the primary beneficiary of such tax credit fund VIEs.

RJTCF has concluded that it is the primary beneficiary in approximately one-fifth of these tax credit housing funds, and accordingly, consolidates these funds, which have combined assets of approximately \$287 million at June 30, 2009. None of those assets act as collateral for any obligations of these funds. The Company's exposure to loss is limited to its investments in, advances to, and receivables due from these funds and at June 30, 2009, that exposure is approximately \$58.2 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 these funds. These funds have combined assets of approximately \$1.2 billion. The Company's exposure to loss is limited to its investments in, advances to, and receivables due from these funds and at June 30, 2009, that exposure is approximately \$5.4 million.

RJTCF's interest in the three remaining tax credit housing funds that have been determined not to be VIEs are held 99% by RJTCF and are included in the Company's consolidated financial statements. At June 30, 2009, only one of these funds had any material activity. These funds typically hold interests in certain tax credit limited partnerships for less than 90 days, or until beneficial interest in the fund is sold to third parties. These funds had assets of approximately \$2 million at June 30, 2009, which is also the Company's exposure to losses as of June 30, 2009.

See Note 12 of the Notes to Condensed Consolidated Financial Statements for information regarding the Company's commitments related to RJTCF.

As of June 30, 2009, the Company has a variable interest in several limited partnerships involved in various real estate activities, in which a subsidiary of the Company is the general partner. Given that the Company is not entitled to receive the majority of any residual returns and does not have the ability to significantly influence the financial results of these partnerships, the Company is not the primary beneficiary of these VIEs and accordingly does not consolidate these partnerships. These partnerships have assets of approximately \$11.8 million at June 30, 2009. The carrying value of the Company's investment in these partnerships is not material at June 30, 2009. See Note 12 of the Notes to Condensed Consolidated Financial Statements for additional information related to these real estate limited partnerships.

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. Given this trust fund's purpose and design, the Company, through its Canadian subsidiary, is deemed to be the entity/person most closely associated with this VIE. As a result, 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 \$13.1 million at June 30, 2009. 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 and at June 30, 2009, that exposure is approximately \$13.1 million.

NOTE 8 - BANK DEPOSITS:

Bank deposits include Negotiable Order of Withdrawal ("NOW") accounts, demand deposits, savings and money market accounts and certificates of deposit. The following table presents a summary of bank deposits at June 30, 2009 and September 30, 2008:

	June 30, 2009		September 30, 2008	
	Balance	Weighted Average Rate (1)	Balance	Weighted Average Rate (1)
(\$ in 000's)				
Bank Deposits:				
NOW Accounts	\$ 3,530	0.01%	\$ 3,402	0.30%
Demand Deposits (Non-Interest Bearing)	1,974	-	2,727	-
Savings and Money Market Accounts	7,431,747	0.05%	8,520,121	1.58%
Certificates of Deposit	200,307	3.76%	248,207	4.12%
Total Bank Deposits	\$ 7,637,558	0.15%	\$ 8,774,457	1.65%

(1) Weighted average rate calculation is based on the actual deposit balances at June 30, 2009 and September 30, 2008, respectively.

RJ Bank had deposits from RJF executive officers and directors of \$489,000 and \$401,000 at June 30, 2009 and September 30, 2008, respectively.

Scheduled maturities of certificates of deposit and brokered certificates of deposit at June 30, 2009 and September 30, 2008 were as follows:

	June 30, 2009		September 30, 2008	
	Denominations Greater than or Equal to \$100,000	Denominations Less than \$100,000	Denominations Greater than or Equal to \$100,000	Denominations Less than \$100,000
(in 000's)				
Three Months or Less	\$ 13,063	\$ 27,143	\$ 12,068	\$ 25,820
Over Three Through Six Months	6,822	15,061	12,971	27,996
Over Six Through Twelve Months	9,688	26,806	12,336	38,783
Over One Through Two Years	10,702	30,402	14,592	39,672
Over Two Through Three Years	9,044	16,276	11,520	23,039
Over Three Through Four Years	3,690	9,967	2,442	8,853
Over Four Years	9,979	11,664	8,145	9,970
Total	\$ 62,988	\$ 137,319	\$ 74,074	\$ 174,133

Interest expense on deposits is summarized as follows:

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
(in 000's)				
Certificates of Deposit	\$ 1,951	\$ 2,570	\$ 6,475	\$ 8,233
Money Market, Savings and NOW Accounts	975	30,348	14,539	142,692
Total Interest Expense on Deposits	\$ 2,926	\$ 32,918	\$ 21,014	\$ 150,925

NOTE 9 – LOANS PAYABLE:

Loans payable at June 30, 2009 and September 30, 2008 are presented below:

	June 30, 2009	September 30, 2008
	(in 000's)	
Short-Term Borrowings:		
Borrowings on Lines of Credit	\$ 468	\$ 200,000
Current Portion of Mortgage Notes Payable	3,032	2,891
Federal Home Loan Bank Advances	-	1,900,000
Total Short-Term Borrowings	3,500	2,102,891
Long-Term Borrowings:		
Mortgage Notes Payable	56,794	59,333
Federal Home Loan Bank Advances	50,000	50,000
Total Long-Term Borrowings	106,794	109,333
Total Loans Payable	\$ 110,294	\$ 2,212,224

At June 30, 2009, the Company maintained three 364-day committed and several uncommitted financing arrangements denominated in U.S. dollars totaling \$780.1 million and one uncommitted line of credit denominated in Canadian dollars ("CDN") in the amount of CDN \$20 million. Lenders are under no obligation to lend to the Company under uncommitted credit facilities. Committed facilities include a \$100 million unsecured revolving credit agreement in the name of RJF, which closed in February 2009. This credit agreement was amended in June 2009 to eliminate the requirement of approval to participate in the U.S. Treasury's TARP Capital Purchase Program (CPP) as a condition to borrowing under the agreement. The Company withdrew its application to participate in the CPP program in May 2009. Committed facilities provided by commercial banks in the name of Raymond James & Associates, Inc. ("RJ&A") include a \$75 million bilateral repurchase agreement which closed in April 2009 and a \$100 million tri-party repurchase agreement. These facilities are subject to 0.12% and 0.125% commitment fees, respectively, and the required market value of the collateral ranges from 102% to 125%.

Additionally, RJ&A maintains \$235.1 million in uncommitted secured facilities provided by commercial banks. At June 30, 2009, RJ&A also maintained two \$60 million uncommitted tri-party repurchase facilities with Raymond James Financial Services, Inc. ("RJFS") and with Raymond James Bank ("RJ Bank"). Unsecured, uncommitted loan facilities available to RJ&A totaled \$150 million.

At June 30, 2009, there were collateralized financings outstanding in the amount of \$84.1 million. Consolidated repurchase agreement financings are included in Securities Sold Under Agreements to Repurchase on the Condensed Consolidated Statement of Financial Condition. Such financings are collateralized by non-customer, RJ&A-owned securities.

The interest rates for all of the Company's financing facilities are variable and are based on the Fed Funds rate, LIBOR, credit default swaps rate, or Canadian prime rate as applicable. Unlike committed credit facilities, uncommitted lenders are not subject to any formula determining the interest rates they may charge on a loan. For the three months ended June 30, 2009, interest rates on the financing facilities ranged from (on a 360 days per year basis) 0.64% to 2.69%. For the three months ended June 30, 2008, those interest rates ranged from 2.00% to 4.38%.

In addition, the Company's joint ventures in Turkey and Argentina have multiple settlement lines of credit. At June 30, 2009, there was an outstanding balance of \$500,000 on the settlement line in Argentina. There was no outstanding balance on the settlement line in Turkey. The Company has guaranteed the settlement line of credit in Argentina for \$9 million. The Company did not renew its guarantee of the settlement line of credit in Turkey. An unsecured settlement line of credit is available to the Argentina venture in the amount of \$4.4 million, and at June 30, 2009, there was no outstanding balance on this line. The interest rates for these lines of credit ranged from 4% to 18%. On December 5, 2008, the Company's Turkish joint venture ceased operations. See Note 12 of the Notes to the Condensed Consolidated Financial Statements for more information.

RJ Bank had \$50 million in FHLB advances outstanding at June 30, 2009, comprised of several long-term, fixed rate advances. RJ Bank had \$1.2 billion in immediate credit available from the FHLB on June 30, 2009 and total available credit of 40% of total assets, with the pledge of additional collateral to the FHLB. The weighted average interest rate on these fixed rate advances at June 30, 2009 was 5.19%. The outstanding FHLB advances mature between September 2010 and February 2011. The maximum amount of FHLB advances outstanding at any month-end during the nine months ended June 30, 2009 and 2008 was \$170 million and \$69 million, respectively. The average amounts of FHLB advances outstanding and the weighted average interest rate thereon for the nine months ended June 30, 2009 and 2008 were \$52.8 million at a rate of 5.00% and \$55.7 million at a rate of 5.28%, respectively. These advances are secured by a blanket lien on RJ Bank's residential loan portfolio granted to FHLB. The FHLB has the right to convert advances totaling \$35 million at June 30, 2009 to a floating rate at one or more future dates. RJ Bank has the right to prepay these advances without penalty if the FHLB exercises its right. The September 30, 2008 FHLB advances included \$1.9 billion in overnight advances to meet point in time regulatory balance sheet composition requirements related to its qualifying as a thrift institution. These advances were repaid on October 1, 2008.

Mortgage loans payable are for the financing of the Company's home office complex. The mortgage loan bears interest at 5.7% and is secured by land, buildings, and improvements with a net book value of \$65.6 million at June 30, 2009.

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS:

The Company accounts for derivative financial instruments and hedging activities in accordance with SFAS 133, as subsequently amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statements No. 133", SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities", which establish accounting and reporting standards for derivatives and hedging activities. These statements establish standards for designating a derivative as a hedge. None of the Company's derivatives meet the criteria for designation as a fair value or cash flow hedge under SFAS 133.

The Company adopted SFAS 161 on January 1, 2009. This pronouncement did not have any impact on the financial position or operating results of the Company. SFAS 161 expanded the disclosures regarding the use of derivative instruments and hedging activities.

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

Under FASB Interpretation ("FIN") No. 39, "Offsetting of Amounts Related to Certain Contracts" ("FIN No. 39"), the Company elects to net-by-counterparty the fair value of interest rate swap contracts entered into by the Fixed Income Trading group. Certain contracts contain a legally enforceable master netting arrangement and therefore, the fair value of those swap contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. As of October 1, 2008, the Company adopted FIN No. 39-1. As the Company elects to net-by-counterparty the fair value of interest rate swap contracts, it also must net-by-counterparty any collateral exchanged as part of the swap agreement. This cash collateral is recorded net-by-counterparty with the related fair value. The cash collateral included in the net fair value of all open derivative asset positions at June 30, 2009 and September 30, 2008, was \$(800,000) and \$4.1 million, respectively. The cash collateral included in the net fair value of all open derivative liability positions at June 30, 2009 and September 30, 2008, was \$2.6 million and \$4.0 million, respectively. The master netting agreement referenced above allows for netting of all individual swap receivables and payables with each counterparty. The credit support annex allows parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. The Company's maximum loss exposure under these interest rate swap contracts at June 30, 2009 is \$27 million.

To mitigate interest rate risk in a significantly rising rate environment, RJ Bank purchased three-year term interest rate caps with high strike rates (more than 300 basis points higher than current rates) during the year ended September 30, 2008 that will increase in value if interest rates rise and entitle RJ Bank to cash flows if interest rates rise above strike rates. These positions are recorded at fair value with any changes in fair value recorded in earnings within the consolidated statement of income for the period. Cash flows related to these interest rate caps are included as Operating Activities (the Prepaid Expenses and Other Assets line) on the Condensed Consolidated Statements of Cash Flows for the period. The Company's maximum loss exposure under these interest rate cap contracts was \$387,000 at June 30, 2009.

The Company has made commitments to provide certain loans of a relatively long duration at a fixed rate of interest ("Permanent Loan Commitments") directly to certain low income housing project partnerships subject only to those project partnerships meeting certain qualifying criteria within a prospective two-year period. These Permanent Loan Commitments meet the criteria of a derivative per SFAS 133. As such, the Permanent Loan Commitments are recorded at fair value with any changes in fair value recorded in earnings within the consolidated statement of income. Cash flows related to these commitments are reflected in Operating Activities on the Condensed Consolidated Statements of Cash Flows. The Company's maximum loss exposure under these Permanent Loan Commitments at June 30, 2009 is \$5.9 million.

See the table below for the notional and fair value amounts of both the asset and liability derivatives at June 30, 2009 and September 30, 2008:

	Asset Derivatives					
	June 30, 2009			September 30, 2008		
	Balance Sheet Location	Notional Amount	Fair Value (1)	Balance Sheet Location	Notional Amount	Fair Value (1)
	(in 000's)			(in 000's)		
Derivatives Not Designated As Hedging Instruments:						
Interest rate contracts:	Trading Instruments	\$ 1,426,642	\$ 106,704	Trading Instruments	\$ 2,121,519	\$ 91,521
	Other Assets	1,500,000	387	Other Assets	1,500,000	1,301

- (1) The fair value is shown on a gross basis before netting of cash collateral and by counterparty according to the Company's legally enforceable master netting arrangements, yet the fair value is shown net in the Condensed Consolidated Statement of Financial Condition.

Liability Derivatives		
June 30, 2009		
Balance Sheet Location	Notional Amount	Fair Value (1)
(in 000's)		
Derivatives Not Designated As Hedging Instruments:		
Interest rate contracts:	Trading Instruments Sold	\$ 1,256,358
	Trade and Other Payables	5,900
		\$ 74,166
		111
	Trading Instruments Sold	\$ 1,619,172
	Trade and Other Payables	-
		\$ 74,486
		-

- (1) The fair value is shown on a gross basis before netting of cash collateral and by counterparty according to the Company's legally enforceable master netting arrangements, yet the fair value is shown net in the Condensed Consolidated Statement of Financial Condition.

See the table below for the impact of the derivatives not designated as hedging instruments on the consolidated income statement for the three and nine months ended June 30, 2009 and 2008, respectively:

Location of Gain (Loss) Recognized In Income on Derivatives		Amount of Gain (Loss) Recognized In Income on Derivatives			
		Three Months Ended		Nine Months Ended	
		June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
(in 000's)					
Derivatives Not Designated as Hedging Instruments					
Interest rate contracts:	Net Trading Profits	\$ 1,749	\$ 4,198	\$ (1,205)	\$ (3,390)
	Other Revenues	347	66	(1,025)	66

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its interest rate derivative agreements. The Company performs a credit evaluation of counterparties prior to entering into derivative transactions and monitors their credit standings. 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. The Company is also exposed to interest rate risk related to its interest rate swap agreements. The Company monitors exposure in its derivatives subsidiary daily based on established limits with respect to a number of factors, including interest rate, spread, ratio and basis, and volatility risks. These exposures are monitored both on a total portfolio basis and separately for selected maturity periods.

NOTE 11 - INCOME TAXES

The Company adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") on October 1, 2007. The impact of the adoption of FIN 48 resulted in a decrease to beginning retained earnings and an increase to reserves for uncertain tax positions of approximately \$4.2 million.

As of June 30, 2009 and September 30, 2008 the total gross unrecognized tax benefits were \$5.6 million and \$4.9 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate for income from continuing operations was \$4.2 million and \$3.5 million at June 30, 2009 and September 30, 2008, respectively.

The Company calculates an annualized tax rate. The rate calculated as of June 30, 2009 includes the Company's estimate of the annual nondeductible losses of \$10 million in Company Owned Life Insurance ("COLI") and Business Owned Life Insurance ("BOLI"). This increased the tax rate by 1.5%.

The Company recognizes the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of June 30, 2009 and September 30, 2008, accrued interest and penalties included in the unrecognized tax benefits liability were approximately \$2 million and \$1.5 million, respectively.

The Company's tax liability does not include any accrual for potential taxes, interest or penalties related to tax assessments of the Company's Turkish joint venture. The Company has fully reserved for its equity interest in this joint venture (see Note 12 below for additional information).

The Company files income tax returns in the U. S. federal jurisdiction and various state, local and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for fiscal years prior to 2008 for federal tax returns, fiscal year 2004 for state and local tax returns and fiscal year 2000 for foreign tax returns. The fiscal year 2008 and 2009 federal income tax returns are currently being examined under the IRS Compliance Assurance Program. This program accelerates the examination of key issues in an attempt to resolve them before the tax return is filed. Certain state and local returns are also currently under various stages of audit. The 2008 federal and state audits in process are expected to be completed in fiscal year 2009. It is anticipated that the unrecognized tax benefits may decrease by an estimated \$107,000 over the next 12 months.

NOTE 12 – COMMITMENTS AND CONTINGENCIES:

The Company is the lessor in a leveraged commercial aircraft transaction with Continental Airlines, Inc. ("Continental"). The Company's ability to realize its expected return is dependent upon this airline's ability to fulfill its lease obligation. In the event that this airline defaults on its lease commitment and the trustee for the debt holders is unable to re-lease or sell the plane with adequate terms, the Company would suffer a loss of some or all of its investment. The carrying amount of this leveraged lease with Continental was approximately \$8.2 million as of June 30, 2009. 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 was originally projected to be 15% of the original cost and has not been adjusted since inception. This lease expires in May 2014.

Although Continental remains current on its lease payments to the Company, the inability of Continental to make its lease payments, or the termination or modification 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. The Company continues to monitor this lessee for specific events or circumstances that would increase the likelihood of a default on Continental's obligations under this lease.

RJ Bank had \$50 million in FHLB advances outstanding at June 30, 2009, comprised of several long-term, fixed rate advances. RJ Bank had \$1.2 billion in immediate credit available from the FHLB on June 30, 2009 and total available credit of 40% of total assets, with the pledge of additional collateral to the FHLB. See Note 9 of the Notes to the Condensed Consolidated Financial Statements for more information. At June 30, 2009, all of the FHLB advances outstanding were secured by a blanket lien on RJ Bank's residential loan portfolio and FHLB stock.

As of June 30, 2009, RJ Bank had entered into two short-term reverse repurchase agreements totaling \$340 million with one counterparty. Although RJ Bank is exposed to risk that this counterparty may not fulfill its contractual obligations, the Company believes the risk of loss is minimal due to the U.S. Treasury or U.S. Agency securities received as collateral, the creditworthiness of this counterparty, which is closely monitored, and the short duration of these agreements.

As of September 30, 2008, RJ Bank had not settled purchases of \$8.5 million in syndicated loans (included in Bank Loans, net) due to sellers' delays in finalizing settlement, all of which had settled prior to December 31, 2008. As of June 30, 2009, there were no purchases of syndicated loans that had not settled.

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. ("RJCS"), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower's default for exposure under interest rate swaps entered into with RJCS. At June 30, 2009 and September 30, 2008, the current exposure under these guarantees was \$11.4 million and \$2.5 million, respectively, which was underwritten as part of RJ Bank's larger corporate credit relationships. The estimated total potential exposure under these guarantees is \$14.6 million at June 30, 2009.

The FDIC announced in February 2009 that it was imposing a special assessment on insured financial institutions in order to ensure the continued strength of its insurance fund. The amount to be assessed was finalized in April 2009 to represent five basis points of a financial institution's total assets less Tier 1 capital at June 30, 2009, which is capped at 10 basis points of domestic deposits as of the same accounting period. This special assessment of \$4.0 million has been expensed as of June 30, 2009 and is payable to the FDIC on September 30, 2009.

See Note 16 of the Notes to Condensed Consolidated Financial Statements with respect to RJ Bank's and Raymond James Multi-Family Finance, Inc.'s commitments to extend credit and other RJ Bank credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases.

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 \$827,000 and \$796,000 were recognized in the three months ended June 30, 2009 and 2008, respectively. Expenses of \$2.5 million and \$2.4 million were recognized in the nine months ended June 30, 2009 and 2008, respectively.

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such commitments of Raymond James Ltd. ("RJ Ltd.") that were recorded and open at June 30, 2009 were approximately CDN \$30 million. There were no such commitments of RJ&A.

The Company utilizes client marginable securities to satisfy deposits with clearing organizations. At June 30, 2009, the Company had client margin securities valued at \$161.4 million pledged with a clearing organization to meet the point in time requirement of \$74 million. At September 30, 2008, the Company had client margin securities valued at \$210 million pledged with a clearing organization to meet the point in time requirement of \$139.9 million.

The Company offers loans and transition assistance to its Financial Advisors mainly for recruiting or retention purposes. These commitments are contingent upon certain events occurring, including but not limited to the Financial Advisor joining the Company and meeting certain production requirements. In certain circumstances, the Company may make commitments prior to funding them. As of June 30, 2009, the Company estimates that it had made commitments of \$33.5 million in loans and transition assistance that have not yet been funded.

The Company has committed a total of \$99 million to 46 different independent venture capital or private equity partnerships, in amounts ranging from \$200,000 to \$5 million with the exception of two internally sponsored commitments totaling \$37.5 million. As of June 30, 2009, the Company had invested \$50.7 million of that amount and had received \$40.5 million in distributions. Additionally, the Company controls the general partner in one internally sponsored private equity limited partnership to which it has committed and invested \$6.5 million. The Company has received \$4.3 million in distributions as of June 30, 2009.

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, 2009, the EIF Funds have unfunded commitments of \$1.6 million.

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.

At June 30, 2009, 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 and Other	
Collateralized Financings	\$ 571,656
Securities Received in Securities Borrowed vs. Cash Transactions	540,952
Collateral Received for Margin Loans	1,007,720
Total	<u>\$ 2,120,328</u>

During the quarter, certain collateral was repledged. At June 30, 2009, the approximate market values of this portion of collateral repledged and financial instruments owned that were pledged by the Company, were:

Uses of Collateral and Trading Securities (In 000's):

Securities Sold Under Agreements to Repurchase and Other	
Collateralized Financings	\$ 89,131
Securities Delivered in Securities Loaned vs. Cash Transactions	555,176
Collateral Used for Deposits	176,098
Total	<u>\$ 820,405</u>

The Company has from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At June 30, 2009, there were no outstanding performance guarantees in Argentina.

See Note 9 of the Notes to Condensed Consolidated Financial Statements for information regarding the Company's other financing arrangements.

The Company guarantees the existing mortgage debt of RJ&A of approximately \$59.8 million. The Company guarantees interest rate swap obligations of RJCS. The Company has also committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low income housing development/rehabilitation and syndication activities, aggregating up to \$125 million upon request, subject to certain limitations as well as annual review and renewal. RJTCF borrows in order to invest in partnerships which purchase and develop properties qualifying for tax credits ("project partnerships"). These investments in project partnerships are then sold to various tax credit funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells these investments within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings. During the first quarter of fiscal year 2009, a subsidiary of the Company purchased 58 units in one of RJTCF's current fund offerings ("Fund 34") for a capital contribution of up to \$58 million. During the second quarter of fiscal year 2009, the Company sold five units of Fund 34 to an unrelated third party for approximately \$5 million and thus as of June 30, 2009 the Company holds 53 units of Fund 34. At June 30, 2009, \$51.9 million of capital had been contributed by the subsidiary to Fund 34 in addition to an advance of \$5.8 million made by RJTCF to Fund 34 as of June 30, 2009 (refer to the discussion of short-term advances RJTCF may provide to project partnerships on behalf of tax credit funds discussed below). The subsidiary expects to resell its interests in Fund 34 to other investors; however, the holding period of this interest could be much longer than 90 days. In addition to the 58 unit interest in Fund 34 initially purchased, RJTCF provided certain specific performance guarantees to the third-party investors of Fund 34. The Company had guaranteed a \$58 million capital contribution obligation as well as the specified performance guarantees provided by RJTCF to Fund 34's third-party investors. The unfunded capital contribution obligation to Fund 34 is \$300,000 as of June 30, 2009. 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, 2009, cash funded to invest in either loans or investments in project partnerships (excluding the capital invested in 53 units of Fund 34 mentioned previously) was \$14.9 million. In addition, at June 30, 2009, RJTCF is committed to additional future fundings (excluding the unit purchase mentioned previously) of \$300,000 related to project partnerships that have not yet been sold to various tax credit funds. The Company and RJTCF also issue certain guarantees to various third parties related to project partnerships, interests in which have been or are expected to be sold to one or more tax credit funds under RJTCF's management. In some instances, RJTCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately \$12.5 million as of June 30, 2009. Through RJTCF's wholly owned lending subsidiary, Raymond James Multi-Family Finance, Inc., certain construction loans or loans of longer duration ("permanent loans") may be made directly to certain project partnerships. As of June 30, 2009 seven such construction loans are outstanding with an unfunded balance of \$2.3 million available for future draws on such loans. Similarly, five permanent loan commitments are outstanding as of June 30, 2009. Each of these commitments will only be funded if certain conditions are achieved by the project partnership and in the event such conditions are not met, generally expire two years after their issuance. The total amount of such unfunded permanent loan commitments as of June 30, 2009 is \$5.9 million.

The Company entered into two agreements with Raymond James Trust, National Association ("RJT"). The Office of the Controller of the Currency ("OCC") is also a party to one of those agreements. The two agreements were a condition to OCC's approval of RJT's conversion in January, 2008 from a state to a federally chartered institution. Under those agreements, the Company is obligated to provide RJT with sufficient capital in a form acceptable to the OCC to meet and maintain the capital and liquidity requirements commensurate with RJT's risk profile for its conversion and any subsequent requirements of the OCC. The conversion expands RJT's market nationwide, while substituting federal for multiple state regulatory oversight. RJT's federal charter limits it to fiduciary activities. Thus, capital requirements are not expected to be significant.

On July 6, 2009, the Company entered into a Deposit Services Agreement with Promontory Interfinancial Network, LLC. ("Promontory"). This agreement obligates the Company to begin utilizing this FDIC-insured cash sweep program for its clients no later than October 1, 2009. As part of this arrangement, the Company and Promontory have also entered into a tri-party agreement with a third party financial institution, which requires a specified amount of client deposits to be directed to this institution for a period of up to four years.

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

In June 2009, a purported class action, *Woodard vs. Raymond James Financial, Inc., et al.*, was filed in the United States District Court for the Southern District of New York. The case names as defendants the Company, the Chief Executive Officer, and Chief Financial Officer. The complaint, brought on behalf of purchasers of the Company's common stock for the period between and including April 22, 2008 and April 14, 2009, alleges that various financial statements and press releases issued by the Company contained material misstatements and omissions relating to the loan losses at Raymond James Bank, FSB. The complaint seeks class action status, compensatory damages and costs and disbursements, including attorneys' fees.

Raymond James Yatrym Menkul Kyymetler A. S., ("RJ MKY"), the Company's Turkish affiliate, was assessed for the year 2001 approximately \$6.8 million by the Turkish tax authorities. The authorities applied a significantly different methodology than in the prior year's audit which the Turkish tax court and Council of State affirmed. The Turkish tax authorities, utilizing the 2001 methodology, assessed RJ MKY \$5.7 million for 2002. On October 24, 2008, RJ MKY was notified by the Capital Markets Board of Turkey that the technical capital inadequacy resulting from RJ MKY's provision for this case required an additional capital contribution, and as a result, RJ MKY halted all trading activities. On December 5, 2008, RJ MKY ceased operations and subsequently filed for protection under Turkish bankruptcy laws. The Company has recorded a provision for loss in its condensed consolidated financial statements for its full equity interest in this joint venture. As of June 30, 2009, RJ MKY had total capital of approximately \$2.6 million, of which the Company owns approximately 50%.

Sirchie Acquisition Company ("SAC"), an 80% owned indirect unconsolidated subsidiary acquired as a merchant banking investment, has been advised by the Commerce and Justice Departments that they intend to seek civil and criminal sanctions against it, as the purported successor in interest to Sirchie Finger Print Laboratories, Inc. ("Sirchie"), based upon alleged breaches of Department of Commerce suspension orders by Sirchie and its former majority shareholder that occurred prior to the acquisition. Discussions are ongoing and the impact, if any, on the value of this investment is indeterminate at this time.

In connection with auction rate securities ("ARS"), the Company's principal broker-dealers, RJ&A and RJFS, have been subject to ongoing investigations, with which they are cooperating fully, by the Securities and Exchange Commission ("SEC"), the New York Attorney General's Office and Florida's Office of Financial Regulation. The Company is also named in a class action lawsuit filed in April 2008 similar to that filed against a number of brokerage firms in United States District Court for the Southern District of New York, alleging various securities law violations, which it is vigorously defending.

Several large banks and brokerage firms, most of whom were the primary underwriters of and supported the auctions for ARS, have announced agreements, usually as part of a regulatory settlement, to repurchase ARS at par from some of their clients. Other brokerage firms have entered into similar agreements. The Company, in conjunction with other industry participants, is actively seeking a solution to ARS' illiquidity. This includes issuers restructuring and refinancing the ARS, which has met with some success. Should these restructurings and refinancings continue, then clients' holdings could be reduced further; however, there can be no assurance these events will continue. If the Company were to consider resolving pending claims, inquiries or investigations by offering to repurchase all or a significant portion of these ARS from certain clients, it would have to have sufficient regulatory capital and cash or borrowing power to do so, and at present it does not have such capacity. Further, if such repurchases were made at par value there could be a market loss if the underlying securities' value is less than par and any such loss could adversely affect the results of operations.

NOTE 13 - CAPITAL TRANSACTIONS:

The Company made no purchases of its own stock during the quarter ended June 30, 2009.

The Company does not have a formal stock repurchase plan. On May 20, 2004, the Board of Directors authorized \$75 million for repurchases pursuant to prior authorization from the Board of Directors. During March 2008, the Company exhausted this authorization. On March 11, 2008, the Board of Directors authorized an additional \$75 million for repurchases at the discretion of the Board's Share Repurchase Committee. Since May 2004, 3,725,885 shares have been repurchased for a total of \$84.5 million, leaving \$65.5 million available to repurchase shares. Historically the Company has considered such purchases when the price of its stock 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. The Company purchased no shares in open market transactions for the nine months ended June 30, 2009. The RJF revolving credit agreement limits dividends and share repurchases to \$60 million in any fiscal year plus any stock repurchases to fund stock plans.

During the nine months ended June 30, 2009, 242,251 shares were purchased for the trust fund that was established and funded 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 Company's wholly owned Canadian subsidiary (see Note 16 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, 2008 for more information on this trust fund). The Company also purchased 110,875 shares that were surrendered by employees as payment for option exercises during the nine months ended June 30, 2009.

As consideration for an increase in its percentage of ownership in various Latin American joint ventures, the Company issued 162,707 shares at the value of \$2.9 million during the quarter ended March 31, 2009.

NOTE 14 – SHARE-BASED COMPENSATION:

The Company applies the provisions of SFAS No. 123R, "Share-Based Payment", to account for share-based awards made to employees and directors. This pronouncement requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors to be based on estimated fair values. In addition, this pronouncement requires the excess tax benefit, the resulting realized tax benefit or deficit that exceeds or is less than the previously recognized deferred tax asset for share-based awards, to be recognized as additional paid-in capital. The Company's share-based employee and outside director compensation plans are described more fully in Note 16 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, 2008. The Company's net income for the three and nine months ended June 30, 2009 includes \$8.1 million and \$27.2 million, respectively, of compensation costs and \$2.6 million and \$8.6 million, respectively, of income tax benefits related to the Company's share-based awards to employees and members of its Board of Directors. The Company's net income for the three and nine months ended June 30, 2008 includes \$8.2 million and \$26.7 million, respectively, of compensation costs and \$2.7 million and \$8.4 million, respectively of income tax benefits related to the Company's share-based awards to employees and members of its Board of Directors. For the nine months ended June 30, 2009, the Company recognized \$2.7 million of excess tax benefits as additional paid-in capital.

During the three months ended June 30, 2009, the Company granted 12,400 stock options and 305,970 shares of restricted stock to employees under its share-based employee compensation plans. During the nine months ended June 30, 2009, the Company granted 275,150 stock options, 1,234,183 shares of restricted stock and 220,086 restricted stock units to employees under its share-based employee compensation plans. During the nine months ended June 30, 2009, 17,500 stock options were granted to outside directors. Restricted stock grants under the 2007 Stock Bonus Plan and the 2005 Restricted Stock Plan are limited to 750,000 and 2,000,000 shares, respectively, per fiscal year.

The weighted-average grant-date fair value of stock options granted to employees and directors during the three and nine months ended June 30, 2009 was \$5.64 and \$6.25 per share, respectively. Pre-tax unrecognized compensation expense for stock options granted to employees and outside directors, net of estimated forfeitures, was \$11.2 million as of June 30, 2009, and will be recognized as expense over a weighted-average period of approximately 2.9 years.

The weighted-average grant-date fair value of restricted stock granted to employees during the three and nine months ended June 30, 2009 was \$15.72 and \$17.82 per share, respectively. Pre-tax unrecognized compensation expense for unvested restricted stock granted to employees, net of estimated forfeitures, was \$56.6 million as of June 30, 2009, and will be recognized as expense over a weighted-average period of approximately 2.8 years.

The weighted-average grant-date fair value of restricted stock units granted to employees during the nine months ended June 30, 2009 was \$17.91 per share. Pre-tax unrecognized compensation expense for unvested restricted stock units granted to employees, net of estimated forfeitures, was \$6.2 million as of June 30, 2009, and will be recognized as expense over a weighted-average period of approximately 1.6 years.

Under one of its non-qualified fixed stock option plans, the Company may grant stock options to its independent contractor Financial Advisors. In addition, the Company may grant restricted stock units or restricted shares of common stock to its independent contractor Financial Advisors under one of its restricted stock plans. The Company accounts for share-based awards to its independent contractor Financial Advisors in accordance with EITF No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" and EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" (see Note 17 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, 2008 for more information). Due to the decline in the value of the Company's common stock during the three months ended June 30, 2009, the Company's net income for the three months ended June 30, 2009 includes \$1.2 million and \$0.5 million, respectively, of reductions in compensation expense and income tax benefits related to the Company's share-based awards to its independent contractor Financial Advisors. Due to the decline in the value of the Company's common stock during the nine months ended June 30, 2009, the Company's net income for the nine months ended June 30, 2009 includes \$8.8 million and \$3.3 million, respectively, of reductions in compensation expense and income tax benefits related to the Company's share-based awards to its independent contractor Financial Advisors. The Company's net income for the three months ended June 30, 2008 includes \$2.6 million and \$1.0 million, respectively, of compensation expense and income tax benefits related to the Company's share-based awards to its independent contractor Financial Advisors. Due to the decline in the value of the Company's common stock during the nine months ended June 30, 2008, the Company's net income for the nine months ended June 30, 2008 includes \$2.1 million and \$0.8 million, respectively, of reductions in compensation expense and income tax benefits related to the Company's share-based awards to its independent contractor Financial Advisors.

During the three months ended June 30, 2009, the Company granted 350 shares of restricted stock to its independent contractor Financial Advisors. During the nine months ended June 30, 2009, the Company granted 45,500 stock options and 9,392 shares of restricted stock to its independent contractor Financial Advisors.

As of June 30, 2009, there was \$0.7 million of total unrecognized pre-tax compensation cost related to unvested stock options granted to its independent contractor Financial Advisors based on an estimated weighted-average fair value of \$2.88 per share at that date. These costs are expected to be recognized over a weighted average period of approximately 2.3 years.

As of June 30, 2009, there was \$1.8 million of total unrecognized pre-tax compensation cost related to unvested restricted stock granted to its independent contractor Financial Advisors based on an estimated fair value of \$17.21 per share at that date. These costs are expected to be recognized over a weighted average period of approximately 3.5 years.

NOTE 15 - REGULATIONS 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. RJ&A, a member firm of the Financial Industry Regulatory Authority ("FINRA"), is also subject to the rules of FINRA, whose requirements are substantially the same. Rule 15c3-1 requires that aggregate indebtedness, as defined, not exceed 15 times net capital, as defined. Rule 15c3-1 also provides for an "alternative net capital requirement", which RJ&A, Raymond James Financial Services, Inc. ("RJFS"), Eagle Fund Distributors, Inc. ("EFD"), formerly Heritage Fund Distributors, Inc. and Raymond James (USA) Ltd. ("RJ(USA)") 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. FINRA 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 RJ&A at June 30, 2009 and September 30, 2008 was as follows:

	June 30, 2009	September 30, 2008
	(\$ in 000's)	
Raymond James & Associates, Inc.:		
(Alternative Method Elected)		
Net Capital as a Percent of Aggregate Debit Items	23.55%	18.32%
Net Capital	\$ 299,906	\$ 303,192
Less: Required Net Capital	(25,472)	(33,096)
Excess Net Capital	\$ 274,434	\$ 270,096

At June 30, 2009 and September 30, 2008, 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, 2009 and September 30, 2008 was as follows:

	June 30, 2009	September 30, 2008
	(in 000's)	
Raymond James Financial Services, Inc.:		
(Alternative Method Elected)		
Net Capital	\$ 14,492	\$ 54,225
Less: Required Net Capital	(250)	(250)
Excess Net Capital	\$ 14,242	\$ 53,975

RJ Ltd. is subject to the Minimum Capital Rule (Dealer Member Rule No. 17 of the Investment Industry Regulatory Organization of Canada ("IIROC")) and the Early Warning System (Dealer Member Rule No. 30 of the IIROC). 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 IIROC may from time to time prescribe. Insufficient Risk Adjusted Capital may result in suspension from membership in the stock exchanges or the IIROC.

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 IIROC. 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, 2009 or September 30, 2008. The Risk Adjusted Capital of RJ Ltd. at June 30, 2009 and September 30, 2008 was as follows (in Canadian dollars):

	June 30, 2009	September 30, 2008
	(in 000's)	
Raymond James Ltd.:		
Risk Adjusted Capital before minimum	\$ 30,367	\$ 48,520
Less: Required Minimum Capital	(250)	(250)
Risk Adjusted Capital	\$ 30,117	\$ 48,270

At June 30, 2009, all of the Company's active domestic and international broker-dealers are in compliance with and meet all net capital requirements.

RJ Bank 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, RJ Bank must meet specific capital guidelines that involve quantitative measures of RJ Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. RJ Bank'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 RJ Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I Capital (as defined in the regulations) to both risk-weighted assets and adjusted assets (as defined). Management believes that, as of June 30, 2009, RJ Bank meets all capital adequacy requirements to which it is subject.

To be categorized as "well capitalized", RJ Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below.

	Requirement for capital adequacy purposes				To be well capitalized under prompt corrective action provisions	
	Actual					
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(\$ in 000's)						
As of June 30, 2009:						
Total Capital (to Risk-Weighted Assets)	\$ 858,248	11.4%	\$ 602,072	8.0%	\$ 752,590	10.0%
Tier I Capital (to Risk-Weighted Assets)	763,644	10.2%	301,036	4.0%	451,554	6.0%
Tier I Capital (to Adjusted Assets)	763,644	9.0%	338,985	4.0%	423,732	5.0%
As of September 30, 2008 (1):						
Total Capital (to Risk-Weighted Assets)	\$ 786,599	9.7%	\$ 649,518	8.0%	\$ 811,897	10.0%
Tier I Capital (to Risk-Weighted Assets)	689,281	8.5%	324,759	4.0%	487,138	6.0%
Tier I Capital (to Adjusted Assets)	689,281	6.0%	458,052	4.0%	572,564	5.0%

- (1) The actual Total Capital (to Risk-Weighted Assets), Tier I Capital (to Risk-Weighted Assets) and Tier I Capital (to Adjusted Assets) amounts previously reported for September 30, 2008 were \$778,624,000, \$689,281,000, and \$689,281,000 with ratios of 10.9%, 9.6% and 6.0%, respectively. On December 5, 2008 subsequent to filing the Company's Annual Report on Form 10-K, the Company discovered that its wholly owned subsidiary, RJ Bank, had misinterpreted an instruction related to the calculation of RJ Bank's risk weighted capital ratio. As a result, despite the Company's intention and ability to maintain RJ Bank at a "well capitalized" level under the bank regulatory framework, RJ Bank was "adequately capitalized" rather than "well capitalized" at September 30, 2008. Upon discovery of the misinterpretation, the Company recalculated the ratio, determined the amount of additional capital that needed to be contributed and made a \$30 million capital contribution to RJ Bank on December 12, 2008, an amount that would have increased the bank's September 30, 2008 total risk based capital ratio above the 10% level necessary to be considered well capitalized. The Company has notified the OTS and filed an amended Thrift Financial Report as of September 30, 2008. As the Company was able to and did contribute additional capital, as the FDIC was notified of the circumstances and took no adverse action, and as it did not impact clients, the Company's management does not consider this to be material and does not expect any additional ramifications of the misinterpretation.

It continues to be the Company's intention to maintain RJ Bank's "well capitalized" status. The Company has contributed \$435 million during the last 11 quarters. As a result, the Company considers it unlikely that RJ Bank would experience anything other than "well capitalized" status. In the unlikely event of such occurrence, the consequences could include a requirement to obtain a waiver prior to acceptance, renewal, or rollover of brokered deposits and higher FDIC premiums, but would not have a significant impact on the operations of the Company.

Raymond James Trust, N.A., is regulated by the OCC and is required to maintain sufficient capital and meet capital and liquidity requirements. As of June 30, 2009, RJT met the requirements.

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, 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, FINRA and the IIROC; and RJ Bank, which may be subject to restrictions by federal banking agencies. Such restrictions have never limited the Company's dividend payments.

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

RJ Bank has outstanding at any time a significant number of commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases. These arrangements are subject to strict credit control assessments and each customer's credit worthiness is evaluated on a case-by-case basis. A summary of commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding at June 30, 2009 and September 30, 2008, is as follows:

	June 30, 2009	September 30, 2008
	(in 000's)	
Standby Letters of Credit	\$ 250,459	\$ 239,317
Open End Consumer Lines of Credit	42,419	43,544
Commercial Lines of Credit	1,449,643	1,384,941
Unfunded Loan Commitments - Variable Rate	169,910	1,055,686 ⁽¹⁾
Unfunded Loan Commitments - Fixed Rate	22,722	4,005

(1) Includes commitments to purchase pools of adjustable rate whole first mortgage loans.

Because many loan commitments expire without being funded in whole or part, the contract amounts are not estimates of the Company's future liquidity requirements.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The credit risk amounts are equal to the contractual amounts, assuming that the amounts are fully advanced and that the collateral or other security is of no value. RJ Bank uses the same credit approval and monitoring process in extending loan commitments and other credit-related off-balance sheet instruments as it does in making loans.

RJ Bank's policy is generally to require customers to provide collateral at the time of closing. The amount of collateral obtained, if it is deemed necessary by RJ Bank upon extension of credit, is based on RJ Bank's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, real estate, and income producing commercial properties.

In the normal course of business, RJ Bank 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, 2009, \$250.5 million of such letters of credit were outstanding. Of the letters of credit outstanding, \$247.8 million are underwritten as part of a larger corporate credit relationship. In the event that a letter of credit is drawn down, RJ Bank 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 satisfy the maximum potential future amount of any payments of amounts drawn down under the existing letters of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved with extending loan commitments to clients, and accordingly, RJ Bank uses a credit evaluation process and collateral requirements similar to those for loan commitments.

As of June 30, 2009, RJ Bank had commitments to sell and purchase SBA and first mortgage loans held for sale totaling \$3.3 million and \$4.0 million, respectively. As of June 30, 2009, RJ Bank had a commitment to sell one SBA loan pool securitization of \$11.4 million, which had not yet been issued as of the period end. See Note 6 of the Notes to the Condensed Consolidated Financial Statements for more information regarding RJ Bank's participation in SBA loan pool securitizations.

The Company, through RJTCF's wholly owned lending subsidiary, Raymond James Multi-Family Finance, Inc., may have at any time unfunded commitments to extend credit to certain project partnerships for either construction or permanent loans. At June 30, 2009, the unfunded portion of executed commitments to extend credit was \$8.2 million. See Note 12 of the Notes to the Consolidated Financial Statements for more information regarding these commitments.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments held in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is nominal. As of June 30, 2009, forward contracts outstanding to buy and sell U.S. dollars totaled CDN \$9.0 million and CDN \$19.2 million, respectively.

See Note 19 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, 2008 for more information regarding the Company's financial instruments with off-balance sheet risk.

NOTE 17 – EARNINGS PER SHARE:

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

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(in 000's, except per share amounts)			
Net Income	\$ 42,595	\$ 69,938	\$ 109,781	\$ 185,970
Weighted Average Common Shares Outstanding During the Period	118,177	115,633	117,239	116,573
Dilutive Effect of Stock Options and Awards (1)	1,283	2,639	1,172	2,639
Weighted Average Diluted Common Shares (1)	119,460	118,272	118,411	119,212
Net Income per Share – Basic	\$ 0.36	\$ 0.60	\$ 0.94	\$ 1.59
Net Income per Share - Diluted (1)	\$ 0.36	\$ 0.59	\$ 0.93	\$ 1.56
Securities Excluded from Weighted Average Diluted Common Shares Because Their Effect Would Be Antidilutive	4,443	3,623	4,225	3,045

- (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 18 – SEGMENT ANALYSIS:

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.

The Company currently operates through the following eight business segments: Private Client Group ("PCG"); Capital Markets; Asset Management; RJ Bank; Emerging Markets; Stock Loan/Borrow; Proprietary Capital and various corporate activities combined in the "Other" segment. In the quarter ended December 31, 2008, a new intersegment component to the Company's segment reporting was added to reflect total gross revenues by segment with the elimination of intersegment transactions. In addition, the methodology for allocating the Company's corporate bonus pool expense to individual segments was changed. Reclassifications have been made in the segment disclosure for previous periods to conform to this presentation. 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, 2008. Segment data includes charges allocating corporate overhead and benefits to each segment. Intersegment receivables and payables are eliminated between segments upon consolidation.

The PCG segment includes the retail branches of the Company's broker-dealer subsidiaries located throughout the U.S., 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 U.S., 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, Inc.

The Asset Management segment includes investment portfolio management services of Eagle Asset Management, Inc., Eagle Boston Investment Management, Inc., and Raymond James Consulting Services (RJ&A's asset management services division), mutual fund management by Eagle Fund Services, Inc., and trust services of Raymond James Trust, National Association. 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.

RJ Bank is a separate segment, which provides residential, consumer and commercial loans, as well as Federal Deposit Insurance Corporation ("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 Turkey and Latin America. These joint ventures operate in securities brokerage, investment banking and asset management. On December 5, 2008, the Company's Turkish joint venture ceased operations. See Note 12 of the Notes to Condensed Consolidated Financial Statements for more information.

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 Proprietary Capital segment consists of the Company's principal capital and private equity activities including: various direct and third party private equity and merchant banking investments (including Raymond James Capital, Inc., a captive merchant banking business), short-term special situation mezzanine and bridge investments, the EIF Funds, and three private equity funds sponsored by the Company: Raymond James Capital Partners, L.P., Ballast Point Ventures, L.P., and Ballast Point Ventures II, L.P. During the quarter ended March 31, 2009, the Company relinquished its control over the general partners in the two Ballast Point Ventures funds. The Company retained ownership interest in these entities. See Note 1 of the Notes to the Condensed Consolidated Financial Statements for further information.

The Other segment includes certain corporate activities of the Company.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(in 000's)			
Revenues:				
Private Client Group	\$ 370,719	\$ 485,672	\$ 1,136,305	\$ 1,525,135
Capital Markets	138,524	147,114	391,243	386,146
Asset Management	35,398	59,416	132,870	184,702
RJ Bank	80,747	96,222	273,322	303,945
Emerging Markets	3,208	10,389	10,628	33,270
Stock Loan/Borrow	2,361	6,728	8,258	29,015
Proprietary Capital	9,881	16,147	9,780	18,560
Other	3,203	4,320	4,587	19,378
Intersegment Eliminations	(11,789)	(17,260)	(42,497)	(55,078)
Total Revenues	\$ 632,252	\$ 808,748	\$ 1,924,496	\$ 2,445,073

Income Before Provision for Income Taxes:

Private Client Group	\$ 18,321	\$ 34,909	\$ 62,587	\$ 144,227
Capital Markets	20,224	27,253	50,495	36,381
Asset Management	6,691	14,215	20,669	47,552
RJ Bank	27,406	37,957	69,616	78,622
Emerging Markets	(1,311)	(271)	(4,065)	(1,720)
Stock Loan/Borrow	885	1,893	2,955	4,827
Proprietary Capital	(308)	5,855	(1,354)	4,578
Other	401	(6,693)	(14,012)	(10,774)
Pre-Tax Income	\$ 72,309	\$ 115,118	\$ 186,891	\$ 303,693

Net Interest Income (Expense):

Private Client Group	\$ 11,503	\$ 21,790	\$ 36,893	\$ 70,466
Capital Markets	537	435	2,594	(102)
Asset Management	11	155	135	938
RJ Bank	75,608	63,922	254,058	147,109
Emerging Markets	179	526	901	2,236
Stock Loan/Borrow	1,575	2,338	4,911	7,027
Proprietary Capital	-	237	173	1,245
Other	1,171	808	3,969	6,745
Net Interest Income	\$ 90,584	\$ 90,211	\$ 303,634	\$ 235,664

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

	June 30, 2009	September 30, 2008
	(in 000's)	
Total Assets:		
Private Client Group (1)	\$ 7,521,788	\$ 6,861,688
Capital Markets (2)	1,099,126	1,400,658
Asset Management	54,219	75,339
RJ Bank	8,311,838	11,356,939
Emerging Markets	48,386	52,786
Stock Loan/Borrow	587,179	698,926
Proprietary Capital	144,306	169,652
Other	63,988	93,628
Total	\$ 17,830,830	\$ 20,709,616

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

(2) Includes \$17 million of goodwill allocated pursuant to SFAS No. 142.

The Company has operations in the U.S., Canada, Europe and joint ventures in Turkey and Latin America. Revenues, Income before Provision for Income Taxes and Net Income, classified by the major geographic areas in which they are earned, were as follows:

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(in 000's)			
Revenues:				
United States	\$ 572,328	\$ 717,249	\$ 1,749,806	\$ 2,164,936
Canada	47,753	69,804	133,627	203,832
Europe	9,100	13,159	30,476	45,764
Other	3,071	8,536	10,587	30,541
Total	\$ 632,252	\$ 808,748	\$ 1,924,496	\$ 2,445,073
Income Before Provision for				
Income Taxes:				
United States	\$ 74,956	\$ 107,154	\$ 193,296	\$ 278,725
Canada	(201)	7,887	(1,041)	22,157
Europe	(1,098)	1,195	(38)	7,585
Other	(1,348)	(1,118)	(5,326)	(4,774)
Total	\$ 72,309	\$ 115,118	\$ 186,891	\$ 303,693
Net Income:				
United States	\$ 44,955	\$ 63,988	\$ 115,115	\$ 169,670
Canada	(415)	5,785	(692)	14,537
Europe	(1,089)	908	(506)	6,392
Other	(856)	(743)	(4,136)	(4,629)
Total	\$ 42,595	\$ 69,938	\$ 109,781	\$ 185,970

The Company's total assets, classified by the major geographic area in which they are held, were as follows:

	June 30, 2009	September 30, 2008
	(in 000's)	
Total Assets:		
United States	\$ 16,541,052	\$ 19,575,784
Canada	1,222,143	1,061,201
Europe	24,730	25,424
Other	42,905	47,207
Total	\$ 17,830,830	\$ 20,709,616

The Company has investments of \$4.9 million, net of a \$2.3 million reserve for its Turkish joint venture interest (see Note 12 to Notes to Condensed Consolidated Financial Statements for more information), in emerging market joint ventures, which carry greater risk than amounts invested in developed markets.

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

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, recruiting efforts, 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 1A of Part I included in the Company's Annual Report on Form 10-K for the year ended September 30, 2008 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.

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 unaudited financial statements and unaudited accompanying notes to the financial statements.

Historically, the Company's overall results have been highly correlated to the activity levels in the U.S. equity markets. Active securities markets, a steep, positively sloping yield curve and upward movements in equity indices have a positive impact, while volatile interest rates, disruption in credit markets and declining equity markets have a negative impact on brokerage and asset management results. In contrast, these market conditions often result in a positive environment for fixed income. As RJ Bank has grown and a greater percentage of the firm's income has come from interest earnings, the Company is somewhat insulated from these market influences; however, there has been an increase in credit risk as RJ Bank's loan portfolio has grown. The Company is currently operating in a challenging environment: a recession and financial services industry issues related to credit quality, auction rate securities and liquidity continue to negatively impact activity levels. Nonetheless, substantially all of the Company's businesses realized significant improvement from the preceding quarter, albeit not all at the levels of the prior year, as the equity markets and overall economy have begun to show signs of recovery. Positive Financial Advisor recruiting results, increased institutional commissions, and fixed income trading profits had a positive impact on results. In addition, RJ Bank net interest income was 18% above the prior year quarter while the loan loss provision expense was in line with quarters other than the immediately preceding quarter.

Segments

The Company currently operates through the following eight business segments: Private Client Group ("PCG"); Capital Markets; Asset Management; RJ Bank; Emerging Markets; Stock Loan/Borrow, Proprietary Capital and various corporate activities in the Other segment.

The following table presents the gross revenues and pre-tax income(loss) of the Company on a segment basis for the periods indicated:

	Three Months Ended		
	June 30, 2009	June 30, 2008	Percentage Change
	(in 000's)		
Total Company			
Revenues	\$ 632,252	\$ 808,748	(22%)
Pre-tax Income	72,309	115,118	(37%)
Private Client Group			
Revenues	\$ 370,719	\$ 485,672	(24%)
Pre-tax Income	18,321	34,909	(48%)
Capital Markets			
Revenues	138,524	147,114	(6%)
Pre-tax Income	20,224	27,253	(26%)
Asset Management			
Revenues	35,398	59,416	(40%)
Pre-tax Income	6,691	14,215	(53%)
Raymond James Bank			
Revenues	80,747	96,222	(16%)
Pre-tax Income	27,406	37,957	(28%)
Emerging Markets			
Revenues	3,208	10,389	(69%)
Pre-tax (Loss)	(1,311)	(271)	(384%)
Stock Loan/Borrow			
Revenues	2,361	6,728	(65%)
Pre-tax Income	885	1,893	(53%)
Proprietary Capital			
Revenues	9,881	16,147	(39%)
Pre-tax (Loss)Income	(308)	5,855	(105%)
Other			
Revenues	3,203	4,320	(26%)
Pre-tax Income(Loss)	401	(6,693)	106%
Intersegment Eliminations			
Revenues	(11,789)	(17,260)	32%
Pre-tax Income	-	-	-

Results of Operations – Three Months Ended June 30, 2009 Compared with the Three Months Ended June 30, 2008

Total Company

Total Company net revenues decreased 16% to \$625 million from the record \$742 million in the comparable prior year quarter. The current year included positive trading results and increased institutional commissions, offset by lower private client commissions and lower investment advisory fee revenue. Net income was 39% below the prior year quarter. Net interest earnings were flat with the prior year, but, as expected, declined 11%, or \$11 million, from the immediately preceding quarter as interest rate spreads at Raymond James Bank began to narrow, although they remained above an anticipated sustainable spread. Non-interest expenses were well controlled, almost matching the percentage decline in net revenues. The Company's effective tax rate for the quarter continues to be higher than it was in the rising equity markets of previous years as nondeductible items, such as losses on the Company's Corporate Owned Life Insurance ("COLI") investment and qualified stock option expense, had a magnified impact due to the lower pre-tax earnings in the quarter. Diluted net income was \$0.36 per share, versus \$0.59 per share in the prior year quarter.

Net Interest Analysis

The following table presents average balance data and interest income and expense data for the Company, as well as the related net interest income. The respective average rates are presented on an annualized basis.

	Three Months Ended					
	June 30, 2009			June 30, 2008		
	Average Balance	Interest Inc./Exp.	Average Yield/ Cost	Average Balance	Interest Inc./Exp.	Average Yield/ Cost
	(\$ in 000's)					
Interest-Earning Assets:						
Margin Balances	\$ 1,138,693	\$ 7,949	2.79%	\$ 1,575,228	\$ 17,662	4.48%
Assets Segregated Pursuant to Regulations and Other Segregated Assets	5,194,312	3,486	0.27%	4,328,606	23,470	2.17%
Bank Loans, Net of Unearned Income	7,527,007	73,186	3.89%	6,503,401	83,342	5.13%
Available for Sale Securities	532,033	5,681	4.27%	643,300	8,043	5.00%
Trading Instruments		2,747			5,245	
Stock Borrow		2,300			6,833	
Interest-Earning Assets of Variable Interest Entities		(98)			125	
Other		2,786			12,215	
Total Interest Income		\$ 98,037			\$ 156,935	
Interest-Bearing Liabilities:						
Brokerage Client Liabilities	\$ 6,137,818	\$ 819	0.05%	\$ 5,211,264	20,827	1.60%
Retail Bank Deposits	8,041,547	2,926	0.15%	7,719,663	32,918	1.71%
Stock Loan		786			4,390	
Interest-Bearing Liabilities of Variable Interest Entities		898			973	
Borrowed Funds and Other		2,024			7,616	
Total Interest Expense		7,453			66,724	
Net Interest Income		\$ 90,584			\$ 90,211	

Net interest income remained flat compared to the same quarter in the prior year but declined \$11 million, or 11%, over the immediately preceding quarter. RJ Bank's net interest income increased \$11.7 million, or 18%, over the prior year but declined \$8.4 million, or 10%, from the immediately preceding quarter. Net interest income in the PCG segment declined \$10 million, or 47%, from the prior year quarter and \$2 million, or 13%, from the immediately preceding quarter. RJ Bank benefitted from better spreads than in the prior year but, as expected, these spreads have begun to decline, falling 20 basis points in each of the last two quarters, as they trend toward more sustainable levels.

Average client margin balances declined \$437 million (28%) and average assets segregated pursuant to regulations increased \$820 million over the same quarter of the prior year. Customer cash balances held in the Client Interest Program increased \$927 million. Net interest income in the PCG segment was negatively impacted by lower margin balances and by lower spreads than in the prior year. This segment was negatively impacted by interest rate cuts as the rate is lowered immediately on the interest earning assets while the interest rate paid to clients could not be lowered as it is presently only five basis points. In the current rate environment, interest rate spread on Client Interest Program deposits invested in the segregated reserve account have been at historically low levels for the past several quarters. In September 2009, the Company will begin to participate in a bank sweep program with Raymond James Bank and several unaffiliated banks. This program will enable clients to have their cash balances covered by FDIC insurance for up to \$2.5 million, will pay clients a higher rate than the current five basis points, and will modestly improve the Company's overall economics. Once client balances have been moved into this program, the Company's net interest earnings will decline, but will be more than offset by fee income from the program's sponsor. On a segment basis, PCG results will reflect the improved earnings, while those of Asset Management, due to lower money market fund balances and Raymond James Bank, by paying higher rates on deposits, will be adversely impacted.

Private Client Group

The PCG 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. This segment accounted for 59% of the Company's revenues for the three months ended June 30, 2009. 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 primarily charges for the services provided to its PCG clients based on commission schedules or through asset based advisory fees.

The success of the PCG segment is dependent upon the quality and integrity of its Financial Advisors and support personnel 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 affiliation 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 a wide variety of other brokerage firms for qualified Financial Advisors, as Financial Advisors can choose the model that best suits their practice and profile. For the past several 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 PCG Financial Advisors as of the periods indicated:

	Employee	Independent Contractors	June 30, 2009 Total	June 30, 2008 Total
Private Client Group - Financial Advisors:				
RJ&A	1,288	-	1,288	1,159
RJFS	-	3,220	3,220	3,114
RJ Ltd.	204	247	451	357
Raymond James Investment Services Limited ("RJIS")	-	115	115	86
Total Financial Advisors	1,492	3,582	5,074	4,716

Private Client Group revenues were 24% below the prior year quarter, reflecting the impact of the extremely challenging market conditions. Securities commissions and fees declined 21% despite an 8% increase in the number of Financial Advisors. All of the Company's broker-dealers experienced positive results in recruiting successful Financial Advisors as the brokerage industry continues to be in a state of unrest. The Company has recruited 358 (net) Financial Advisors with approximately \$200 million in historical annual production in the current fiscal year. Unfortunately, the financial markets themselves have been in a steep decline and clients, having lost confidence in the market, are not investing as actively. As would be expected, revenues from fee-based accounts have also declined as the fees are based on account valuations which have declined dramatically during the year. The S&P 500 has declined 27% since the end of June 2008. Average annual production per Financial Advisor declined from \$336,000 to \$283,000 in RJFS and from \$520,000 to \$426,000 in RJ&A since the same quarter in the prior year.

Private Client Group results also include the interest revenue earned on client margin balances and cash segregated for regulatory purposes, net of the interest expense paid on client cash balances. The net interest from these balances declined \$10 million, or 47%, from the prior year as interest rates fell to record low levels. In addition, average client margin balances have declined \$437 million since the prior year.

While net revenues declined 20% from the prior year, pre-tax earnings declined 48%, with non-interest expenses declining only 18%. These expenses are related to RJ&A's growth, including elevated payout levels and front money associated with recruiting new Financial Advisors, as well as increased occupancy costs for new branches opened over the past year.

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 accounted for 73% of the segment's revenues 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.

Capital Markets pre-tax results decreased 26% from the prior year. Trading results experienced an overall \$11.5 million gain, flat with the prior year quarter, fixed income commissions increased 35% (more than offsetting the 8% decline in equity commissions) due to market conditions, and investment banking revenues were 43% below the prior year. Of the segment's trading profits, \$14 million (greater than 100%) were generated by fixed income, as the bond market continued to be volatile and active. The fixed income markets' volatility has generated activity as clients are attracted to the possibility of better yields and others are selling holdings to obtain liquidity. There were an increased number of investment banking deals, with 32 domestic and six Canadian underwritings in the quarter. These deals were considerably smaller than the deals in the prior year quarter and included fewer lead managed deals than in the prior year. An improvement in the overall equity markets will be necessary to realize a significant and sustainable increase in underwritings and the related commissions and fees. The segment results also included lower mergers and acquisition fees compared to the prior year's quarter.

	Three Months Ended	
	June 30, 2009	June 30, 2008
Number of managed/co-managed public equity offerings:		
United States	32	18
Canada	6	7

	Three Months Ended		
	June 30, 2009	June 30, 2008	% Change
	(in 000's)		
Institutional Commissions:			
Equity	\$ 53,132	\$ 57,656	(8%)
Fixed Income	47,994	35,558	35%
Total	\$ 101,126	\$ 93,214	8%

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 portfolio values either at 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. Declining equity markets negatively impact revenues from investment advisory fees as existing accounts depreciate in value, in addition to individuals and institutions being less likely to commit new funds to the equity markets.

The following table presents the assets under management as of the dates indicated:

	June 30, 2009	March 31, 2009	December 31, 2008	June 30, 2008
Assets Under Management (in 000's):				
Eagle Asset Management, Inc. (including Eagle Boston)	\$ 12,015,261	\$ 10,513,237	\$ 11,467,978	\$ 15,140,584
Eagle Family of Mutual Funds (formerly Heritage)	5,975,256	6,551,624	6,568,296	6,155,156
Raymond James Consulting Services	7,018,689	6,193,784	6,600,908	8,746,216
Unified Managed Accounts	111,855	24,973	-	-
Freedom Accounts & Russell Model Strategies	6,249,803	5,337,571	6,091,529	8,601,293
Total Assets Under Management	\$ 31,370,864	\$ 28,621,189	\$ 30,728,711	\$ 38,643,249
Less: Assets Managed for Affiliated Entities	(2,771,110)	(2,488,202)	(2,385,412)	(2,670,040)
Total Third Party Assets Under Management	\$ 28,599,754	\$ 26,132,987	\$ 28,343,299	\$ 35,973,209
Non-Managed Fee Based Assets:				
Passport	\$ 17,024,582	\$ 14,618,044	\$ 15,180,929	\$ 19,390,165
Ambassador	5,687,128	4,150,720	3,931,839	4,008,411
Other Non – Managed Fee Based Assets	1,221,619	1,024,314	1,074,730	1,425,393
Total	\$ 23,933,329	\$ 19,793,078	\$ 20,187,498	\$ 24,823,969

The Asset Management segment's revenues declined 40% as financial assets under management declined 20% from the previous year. The asset decline is primarily due to the decline in market values of the equity portfolios. The percentage decrease in fees far exceeds that of the decrease in assets under management for three reasons. First, the profits from managing the \$6 billion of money market funds have been dramatically reduced as Eagle is waiving a significant portion of its management fee due to the low gross yields on money market instruments. Secondly, a large portion of the assets are billed at the beginning of the period, in this case as of the end of March, and those asset balances are 26% lower than in the prior year. Third, there was a shift by clients to more fixed income assets, which carry a lower management fee.

Raymond James Bank

RJ Bank is a federally chartered savings bank, regulated by the Office of Thrift Supervision (“OTS”), which 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. RJ Bank also purchases residential whole loan pools to hold for investment, and participates with other banks in corporate loan syndications. RJ Bank generates revenue principally through the interest income earned on the loans noted above and other investments, offset by the interest expense it incurs on client deposits and borrowings. RJ Bank’s objective is to maintain a substantially duration-matched portfolio of assets and liabilities.

Gross revenues declined 16% while net revenues increased 24% over the same quarter in the prior year. RJ Bank had pre-tax income of \$27.4 million for the quarter ended June 30, 2009 compared to pre-tax income of \$38 million in the same quarter of the prior year. Due to lower overall market interest rates, loan interest and fee revenues decreased 12%, or \$10.2 million, despite average loan balances increasing 16% to \$7.5 billion from \$6.5 billion. Average interest-bearing liabilities increased 4% to \$8.1 billion from \$7.8 billion, while interest expense declined \$30.2 million due to the average cost of funds decreasing to 0.2% from 1.7%. The decline in gross interest revenue and expense was a result of the significant decrease in short-term market interest rates. Interest spreads remained relatively high at 3.46% for the quarter ended June 30, 2009. As a result, net interest earnings were 18% higher than in the previous year.

It is expected that loan balances will remain flat or continue to decline for at least the next several quarters in order to enable RJ Bank to build its capital level and related ratios. Interest rate spreads are also expected to gradually decline, as they did in the June 30, 2009 quarter as compared to the immediately preceding quarter.

The percentage of Allowance for Loan Losses (“ALL”) to total loans increased to 1.90% at June 30, 2009 from 1.23% at September 30, 2008. Loan loss provision expense for the quarter of \$29.8 million was 141% higher as compared to \$12.4 million for the same quarter in the prior year, but decreased 60% from the \$75 million loan loss provision reported in the immediately preceding quarter. That \$75 million provision reflected a charge off of \$27 million related to a single corporate loan to a commercial mortgage REIT and unprecedented decline in commercial real estate values during the quarter. This current quarter provision as compared to the prior year included increased loan loss reserves and charge-offs due to the continued deterioration of the credit markets, declines in commercial real estate values and an increase in the projected loss experience on residential mortgage loans. Net charge-offs increased \$29.1 million to \$34.1 million as compared to the same quarter in the previous year. This change is due to a charge-off associated with the sale of RJ Bank’s largest nonperforming loan during the quarter. Nonperforming loans increased \$92.2 million to \$150.4 million at June 30, 2009 from the previous fiscal year-end, but this represents only a \$7.8 million increase from the immediately preceding quarter.

Loan loss provision expense is generally expected to trend in direct proportion to the health of the general economy, which impacts borrowers’ ability to repay loans. However, in the event that one or more of RJBank’s large borrowers encounter specific business issues or if the general economy further deteriorates, there could be a significant negative impact on RJBank’s loan loss provision in one or more future quarters.

RJ Bank’s unrealized pre-tax loss on the available for sale securities portfolio decreased \$27.3 million from the March 2009 quarter end to \$119.5 million as of the June quarter end. This reduction is attributable to improved market conditions during the current quarter. RJ Bank recorded an additional \$1.5 million in other-than-temporary impairment during the quarter primarily as a result of the deterioration in credit of one security in the available for sale portfolio that was not previously considered OTTI in the preceding quarter.

Other expenses increased by \$7.6 million during the current quarter to \$16.5 million from \$8.9 million during the same quarter in the prior year. This increase was primarily driven by the \$4.0 million accrual of a special industry-wide FDIC assessment to be paid in September, increased FDIC premiums resulting from higher assessment rates issued in April 2009, and \$1.4 million due to additional write-downs on other real estate owned.

The tables below present certain credit quality trends for corporate loans and residential/consumer loans:

Three Months Ended		
	June 30, 2009	June 30, 2008
	(in 000's)	
Net Loan Charge-offs:		
Corporate Loans	\$ 27,166	\$ 3,492
Residential/Consumer Loans	6,939	1,511
Total	\$ 34,105	\$ 5,003
	June 30, 2009	September 30, 2008
	(in 000's)	
Allowance for Loan Loss:		
Corporate Loans	\$ 109,752	\$ 79,404
Residential/Consumer Loans	27,276	8,751
Total	\$ 137,028	\$ 88,155
Nonperforming Loans:		
Corporate Loans	\$ 90,473	\$ 37,462
Residential/Consumer Loans	59,923	20,702
Total	\$ 150,396	\$ 58,164
Total Loans (1):		
Corporate and Commercial Real Estate Loans	\$ 4,584,317	\$ 4,563,065
Residential/Consumer Loans	2,628,283	2,620,317
Total	\$ 7,212,600	\$ 7,183,382

(1) Net of unearned income and deferred expenses.

The following table presents average balance data and interest income and expense data for RJ Bank, as well as the related interest yields/costs, rates and interest spread for the periods indicated. The respective average rates are presented on an annualized basis.

Three Months Ended						
	June 30, 2009			June 30, 2008		
	Average Balance	Interest Inc./Exp.	Average Yield/Cost	Average Balance	Interest Inc./Exp.	Average Yield/Cost
(\$ in 000's)						
(continued on next page)						
Interest-Earning Banking Assets:						
Loans, Net of Unearned Income (1)						
Commercial Loans	\$ 902,247	\$ 8,321	3.69%	\$ 748,941	\$ 9,672	5.17%
Real Estate Construction Loans	386,503	2,576	2.67%	272,209	3,287	4.83%
Commercial Real Estate Loans	3,523,519	27,857	3.16%	3,098,327	37,854	4.89%
Residential Mortgage Loans	2,697,915	34,374	5.10%	2,370,649	32,397	5.47%
Consumer Loans	16,823	58	1.38%	13,275	132	3.98%
	<u>7,527,007</u>	<u>73,186</u>	<u>3.89%</u>	<u>\$ 6,503,401</u>	<u>83,342</u>	<u>5.13%</u>
Reverse Repurchase Agreements	511,978	229	0.18%	914,945	4,891	2.14%
Agency Mortgage backed Securities	299,275	698	0.93%	264,947	1,994	3.01%
Non-agency Collateralized Mortgage Obligations	232,758	4,983	8.56%	378,353	6,049	6.40%
Money Market Funds, Cash and Cash Equivalents	73,311	36	0.20%	209,122	1,206	2.31%
FHLB Stock and Other	54,523	60	0.44%	15,393	210	5.46%
Total Interest-Earning Banking Assets	<u>\$ 8,698,852</u>	<u>\$ 79,192</u>	<u>3.64%</u>	<u>\$ 8,286,161</u>	<u>\$ 97,692</u>	<u>4.72%</u>
Non-Interest-Earning Banking Assets and Allowance for Loan Loss	<u>68,120</u>			<u>30,375</u>		
Total Banking Assets	<u>\$ 8,766,972</u>			<u>\$ 8,316,536</u>		
Interest-Bearing Banking Liabilities:						
Retail Deposits:						
Certificates of Deposit	\$ 203,477	\$ 1,951	3.84%	\$ 235,647	\$ 2,570	4.36%
Money Market, Savings, and NOW Accounts (2)	7,838,070	975	0.05%	7,484,016	30,348	1.62%
FHLB Advances and Other	51,561	658	5.10%	76,454	852	4.46%
Total Interest-Bearing Banking Liabilities	<u>\$ 8,093,108</u>	<u>\$ 3,584</u>	<u>0.18%</u>	<u>\$ 7,796,117</u>	<u>\$ 33,770</u>	<u>1.73%</u>
Non-Interest-Bearing Banking Liabilities	<u>26,048</u>			<u>13,898</u>		
Total Banking Liabilities	<u>8,119,156</u>			<u>7,810,015</u>		
Total Banking Shareholder's Equity	<u>647,816</u>			<u>506,521</u>		
Total Banking Liabilities and Shareholder's Equity	<u>\$ 8,766,972</u>			<u>\$ 8,316,536</u>		

Three Months Ended						
	June 30, 2009			June 30, 2008		
	Average Balance	Interest Inc./Exp.	Average Yield/ Cost	Average Balance	Interest Inc./Exp.	Average Yield/ Cost
(\$ in 000's)						
(continued)						
Excess of Interest- Earning Banking Assets Over Interest- Bearing Banking Liabilities/Net						
Operating Interest Income	\$ 605,744	\$ 75,608		\$ 490,044	\$ 63,922	
Bank Net Interest (3):						
Spread			3.46%			2.99%
Margin (Net Yield on Interest- Earning Bank Assets)			3.48%			3.09%
Ratio of Interest Earning Banking Assets to Interest- Bearing Banking Liabilities			107.48%			106.29%
Return On Average:						
Total Banking Assets			0.80%			1.16%
Total Banking Shareholder's Equity			10.87%			18.98%
Average Equity to Average Total Banking Assets			7.39%			6.09%

(1) Nonaccrual loans are included in the average loan balances. Payments or income received on impaired nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on loans included in interest income for the three months ended June 30, 2009 and 2008 was \$5.0 million and \$3.5 million, respectively.

(2) Negotiable Order of Withdrawal ("NOW") account.

(3) The increase in interest spreads is due to a rapid decline in short-term interest rates, which led to a significant decline in RJ Bank's cost of funds.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning banking assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on RJ Bank's interest-earning assets and the interest incurred on its interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous year's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes applicable to both volume and rate have been allocated proportionately.

	Three Months Ended June 30, 2009 Compared to 2008		
	Increase (Decrease) Due To		Total
	Volume	Rate	
	(in 000's)		
Interest Revenue			
Interest-Earning Banking Assets:			
Loans, Net of Unearned Income			
Commercial Loans	\$ 1,980	\$ (3,331)	\$ (1,351)
Real Estate Construction Loans	1,380	(2,091)	(711)
Commercial Real Estate Loans	5,195	(15,192)	(9,997)
Residential Mortgage Loans	4,472	(2,495)	1,977
Consumer Loans	35	(109)	(74)
Reverse Repurchase Agreements	(2,154)	(2,508)	(4,662)
Agency Mortgage Backed Securities	258	(1,554)	(1,296)
Non-agency Collateralized Mortgage Obligations	(2,328)	1,262	(1,066)
Money Market Funds, Cash and Cash Equivalents	(783)	(387)	(1,170)
FHLB Stock and Other	534	(684)	(150)
Total Interest-Earning Banking Assets	\$ 8,589	\$ (27,089)	\$ (18,500)
Interest Expense			
Interest-Bearing Banking Liabilities:			
Retail Deposits:			
Certificates Of Deposit	\$ (351)	\$ (268)	\$ (619)
Money Market, Savings and NOW Accounts	1,436	(30,809)	(29,373)
FHLB Advances and Other	(277)	83	(194)
Total Interest-Bearing Banking Liabilities	\$ 808	\$ (30,994)	\$ (30,186)
Change in Net Interest Income	\$ 7,781	\$ 3,905	\$ 11,686

Emerging Markets

The Emerging Markets segment includes the Company's joint ventures in Latin America and Turkey. The Company's joint venture in Turkey has ceased actively conducting business and has filed for bankruptcy. This accounts for \$5 million of the decline in commissions within this segment. The remaining decline was due to the global market conditions resulting in declines in commission, investment advisory and investment banking revenues in Latin America.

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.

Stock Loan revenues declined 65%, with net revenues declining 33%. Both gross interest revenue and expense declined due to lower rates and average balances; matched book balances are down over 40% from the prior year. The average interest rate spread declined 43 basis points (56%). The segment's pre-tax income is down 53% from the same quarter in the prior year.

Proprietary Capital

This segment consists of the Company's principal capital and private equity activities including: various direct and third party private equity and merchant banking investments, short-term special situation mezzanine and bridge investments, Raymond James Employee Investment Funds I and II (the "EIF Funds"), and three private equity funds sponsored by the Company: Raymond James Capital Partners, L.P., a merchant banking limited partnership, and Ballast Point Ventures, L.P. and Ballast Point Ventures II, L.P., venture capital limited partnerships (the "Funds"). During the quarter ended March 31, 2009, the Company relinquished its control over the general partners in the two Ballast Point Ventures funds. The Company retained ownership interest in these entities. See Note 1 of the Notes to the Condensed Consolidated Financial Statements for further information. The Company participates in profits or losses through both general and limited partnership interests. Additionally, the Company incurs profits or losses as a result of direct merchant banking investments and short-term special situation mezzanine and bridge investments. 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.

Proprietary Capital results include a write-up on a Raymond James Capital investment and write-downs on several private equity partnerships owned by RJF.

Other

This segment includes various corporate activities of Raymond James Financial, Inc., including certain compensation accruals, interest on corporate cash and corporate expenses. Revenues in the segment declined due to lower interest earnings. Expenses are lower than in the prior year due to lower incentive compensation accruals. As a result, pre-tax earnings were positively impacted.

Results of Operations – Nine months ended June 30, 2009 Compared with the Nine months ended June 30, 2008

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

Total Company net revenues decreased 11% to \$1.9 billion from \$2.1 billion in the prior year. Revenues declined in every line item except Net Trading Profits. Net interest earnings increased \$68 million, or 29%, but this was not enough to offset the other revenue declines, resulting in net income declining 41% from the prior year. The prior year results included stronger commission and asset management revenues, a much more active investment banking environment, including record merger and acquisition fees, and lower provisions for loan loss expense at RJ Bank. Diluted net income was \$0.93 per share, down 40% from the prior year's \$1.56 per share.

The following table presents the gross revenues and pre-tax income of the Company on a segment basis for the periods indicated:

	Nine Months Ended		Percentage Change
	June 30, 2009	June 30, 2008	
	(in 000's)		
Total Company			
Revenues	\$ 1,924,496	\$ 2,445,073	(21%)
Pre-tax Income	186,891	303,693	(38%)
Private Client Group			
Revenues	\$ 1,136,305	\$ 1,525,135	(25%)
Pre-tax Income	62,587	144,227	(57%)
Capital Markets			
Revenues	391,243	386,146	1%
Pre-tax Income	50,495	36,381	39%
Asset Management			
Revenues	132,870	184,702	(28%)
Pre-tax Income	20,669	47,552	(57%)
Raymond James Bank			
Revenues	273,322	303,945	(10%)
Pre-tax Income	69,616	78,622	(11%)
Emerging Markets			
Revenues	10,628	33,270	(68%)
Pre-tax Loss	(4,065)	(1,720)	(136%)
Stock Loan/Borrow			
Revenues	8,258	29,015	(72%)
Pre-tax Income	2,955	4,827	(39%)
Proprietary Capital			
Revenues	9,780	18,560	(47%)
Pre-tax (Loss) Income	(1,354)	4,578	(130%)
Other			
Revenues	4,587	19,378	(76%)
Pre-tax Loss	(14,012)	(10,774)	(30%)
Intersegment Eliminations			
Revenues	(42,497)	(55,078)	23%
Pre-tax Income	-	-	-

Net Interest Analysis

The following table presents average balance data and interest income and expense data for the Company, as well as the related net interest income. The respective average rates are presented on an annualized basis.

Nine Months Ended						
	June 30, 2009			June 30, 2008		
	Average Balance	Interest Inc./Exp.	Average Yield/ Cost	Average Balance	Interest Inc./Exp.	Average Yield/ Cost
(\$ in 000's)						
Interest-Earning Assets:						
Margin Balances	\$ 1,172,343	\$ 27,607	3.14%	\$1,536,090	\$ 65,616	5.70%
Assets Segregated Pursuant to Regulations and Other Segregated Assets	4,805,842	13,873	0.38%	4,575,946	106,625	3.11%
Bank Loans, Net of Unearned Income	7,645,288	253,854	4.43%	5,864,154	256,957	5.84%
Available for Sale Securities	515,817	19,259	4.98%	609,591	24,093	5.27%
Trading Instruments		10,387			25,987	
Stock Borrow		8,250			29,015	
Interest-Earning Assets of Variable Interest Entities		78			530	
Other		16,414			52,376	
Total Interest Income		\$ 349,722			\$ 561,199	
Interest-Bearing Liabilities:						
Brokerage Client Liabilities	\$ 5,753,221	\$ 9,988	0.23%	\$5,462,695	\$ 116,999	2.86%
Retail Bank Accounts	8,538,100	21,014	0.33%	6,802,989	150,925	2.96%
Stock Loan		3,347			21,988	
Interest-Bearing Liabilities of Variable Interest Entities		3,608			4,187	
Borrowed Funds and Other		8,131			31,436	
Total Interest Expense		46,088			325,535	
Net Interest Income		\$ 303,634			\$ 235,664	

Net interest at RJ Bank increased \$106.9 million, or 73% versus the prior year and represented 84% of the Company's net interest earnings. Net interest within the broker-dealer declined due to the compression of interest spreads caused by the decline in interest rates during the nine months ended June 30, 2009.

Capital Markets

	Nine Months Ended	
	June 30, 2009	June 30, 2008
Number of managed/co-managed public equity offerings:		
United States	45	47
Canada	10	20

	Nine Months Ended		
	June 30, 2009	June 30, 2008	% Change
	(in 000's)		
Institutional Commissions:			
Equity	\$ 145,172	\$ 173,097	(16%)
Fixed Income	136,725	85,142	61%
Total	\$ 281,897	\$ 258,239	9%

Raymond James Bank

Gross revenues decreased 10%, net revenues increased 70%, and pre-tax income of \$69.6 million decreased 11% in the current nine month period compared to the same prior year period. Pre-tax income was severely impacted by \$130 million in loan loss provision for the nine months ended June 30, 2009, which included a \$75 million loan loss provision in the second quarter of the current year due to increased levels of nonperforming loans. Net interest income at RJ Bank increased 73% over the prior year due to the growth in loan balances and relatively high net interest spreads.

The tables below present certain credit quality trends for corporate loans and residential/consumer loans:

	Nine Months Ended	
	June 30, 2009	June 30, 2008
	(in 000's)	
Net Loan Charge-offs:		
Corporate Loans	\$ 64,459	\$ 3,864
Residential/Consumer Loans	16,307	1,875
Total	\$ 80,766	\$ 5,739

The following table presents average balance data and interest income and expense data for the Company's banking operations, as well as the related interest yields/costs, rates and interest spread for the periods indicated. The respective average rates are presented on an annualized basis.

Nine Months Ended						
June 30, 2009			June 30, 2008			
Average Balance	Interest Inc./Exp.	Average Yield/Cost	Average Balance	Interest Inc./Exp.	Average Yield/Cost	
(\$ in 000's)						
(continued on next page)						
Interest-Earning Banking Assets:						
Loans, Net of Unearned Income						
(1)						
Commercial Loans	\$ 764,427	\$ 26,115	4.56%	\$ 631,428	\$ 29,000	6.12%
Real Estate Construction Loans	373,798	9,321	3.32%	216,078	9,375	5.78%
Commercial Real Estate Loans	3,712,621	108,237	3.89%	2,801,174	126,687	6.03%
Residential Mortgage Loans	2,777,190	109,897	5.28%	2,207,718	91,612	5.53%
Consumer Loans	17,252	284	2.19%	7,756	283	4.87%
	<u>\$ 7,645,288</u>	<u>\$ 253,854</u>	4.43%	<u>\$ 5,864,154</u>	<u>\$ 256,957</u>	5.84%
Reverse Repurchase Agreements	585,220	1,134	0.26%	754,179	18,142	3.21%
Agency Mortgage backed Securities	270,588	3,222	1.59%	216,191	6,397	3.95%
Non-agency Collateralized Mortgage Obligations	245,229	16,037	8.72%	393,400	17,696	6.00%
Money Market Funds, Cash and Cash Equivalents	376,099	2,639	0.94%	164,899	3,933	3.19%
FHLB Stock and Other	43,362	199	0.61%	11,170	475	5.67%
Total Interest-Earning Banking Assets	<u>\$ 9,165,786</u>	<u>\$ 277,085</u>	4.03%	<u>\$ 7,403,993</u>	<u>\$ 303,600</u>	5.47%
Non-Interest-Earning Banking Assets						
and Allowance for Loan Loss	<u>71,192</u>			<u>23,558</u>		
Total Banking Assets	<u>\$ 9,236,978</u>			<u>\$ 7,427,551</u>		
Interest-Bearing Banking Liabilities:						
Retail Deposits:						
Certificates of Deposit	\$ 217,826	\$ 6,475	3.96%	\$ 242,191	\$ 8,233	4.53%
Money Market, Savings, and NOW Accounts (2)	8,320,274	14,539	0.23%	6,560,798	142,692	2.90%
FHLB Advances and Other	54,265	2,013	4.95%	158,432	5,566	4.68%
Total Interest-Bearing Banking Liabilities	<u>\$ 8,592,365</u>	<u>\$ 23,027</u>	0.36%	<u>\$ 6,961,421</u>	<u>\$ 156,491</u>	3.00%
Non-Interest-Bearing Banking Liabilities						
	<u>24,461</u>			<u>19,645</u>		
Total Banking Liabilities	<u>8,616,826</u>			<u>6,981,066</u>		
Total Banking Shareholder's Equity	<u>620,152</u>			<u>446,485</u>		
Total Banking Liabilities and Shareholder's Equity	<u>\$ 9,236,978</u>			<u>\$ 7,427,551</u>		

Nine Months Ended						
	June 30, 2009			June 30, 2008		
	Average Balance	Interest Inc./Exp.	Average Yield/ Cost	Average Balance	Interest Inc./Exp.	Average Yield/ Cost
	(\$ in 000's)					
	(continued)					
Excess of Interest- Earning Banking Assets Over Interest- Bearing Banking Liabilities/Net						
Interest Income	\$ 573,421	\$ 254,058		\$ 442,572	\$ 147,109	
Bank Net Interest (3):						
Spread			3.67%			2.47%
Margin (Net Yield on Interest- Earning Bank Assets)			3.70%			2.65%
Ratio of Interest Earning Banking Assets to Interest- Bearing Banking Liabilities			106.67%			106.36%
Return On Average:						
Total Banking Assets			0.64%			0.88%
Total Banking Shareholder's Equity			9.54%			14.70%
Average Equity to Average Total Banking Assets			6.71%			6.01%

(1) Nonaccrual loans are included in the average loan balances. Payments or income received on impaired nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on loans included in interest income for the nine months ended June 30, 2009 and 2008 was \$16.2 million and \$10.1 million, respectively.

(2) Negotiable Order of Withdrawal ("NOW") account.

(3) The increase in interest spreads is due to a rapid decline in short-term interest rates, which led to a decline in RJ Bank's cost of funds.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning banking assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on RJ Bank's interest-earning assets and the interest incurred on its interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous year's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes applicable to both volume and rate have been allocated proportionately.

	Nine Months Ended June 30, 2009 Compared to 2008		
	Increase (Decrease) Due To		
	Volume	Rate	Total
	(in 000's)		
Interest Revenue			
Interest-Earning Banking Assets:			
Loans, Net of Unearned Income			
Commercial Loans	\$ 6,108	\$ (8,993)	\$ (2,885)
Real Estate Construction Loans	6,842	(6,896)	(54)
Commercial Real Estate Loans	41,221	(59,671)	(18,450)
Residential Mortgage Loans	23,631	(5,346)	18,285
Consumer Loans	347	(346)	1
Reverse Repurchase Agreements	(4,064)	(12,944)	(17,008)
Agency Mortgage Backed Securities	1,610	(4,785)	(3,175)
Non-agency Collateralized Mortgage Obligations	(6,665)	5,006	(1,659)
Money Market Funds, Cash and Cash Equivalents	5,037	(6,331)	(1,294)
FHLB Stock and Other Investments	1,369	(1,645)	(276)
Total Interest-Earning Banking Assets	\$ 75,436	\$ (101,951)	\$ (26,515)
Interest Expense			
Interest-Bearing Banking Liabilities:			
Retail Deposits:			
Certificates Of Deposit	\$ (828)	\$ (930)	\$ (1,758)
Money Market, Savings and NOW Accounts	38,267	(166,420)	(128,153)
FHLB Advances	(3,660)	107	(3,553)
Total Interest-Bearing Banking Liabilities	33,779	\$ (167,243)	\$ (133,464)
Change in Net Interest Income	\$ 41,657	\$ 65,292	\$ 106,949

Liquidity and Capital Resources

The Company's senior management establishes the liquidity and capital policies of the Company. These policies include senior management's review of short- and long-term cash flow forecasts, review of monthly capital expenditures, the monitoring of the availability of alternative sources of financing, and the daily monitoring of liquidity in the Company's significant subsidiaries. Decisions on the allocation of capital to business units consider, among other factors, projected profitability and cash flow, risk and impact on future liquidity needs. The Company's Treasury Department assists in evaluating, monitoring and controlling the impact that the Company's business activities have on its financial condition, liquidity and capital structure as well as maintains the relationships the Company has with various lenders. The objectives of these policies are to support the successful execution of the Company's business strategies while ensuring ongoing and sufficient liquidity.

The unprecedented volatility of the financial markets, accompanied by a severe deterioration of economic conditions worldwide, has had a pronounced adverse affect on the availability of credit through traditional sources. As a result of concern about the stability of the markets generally and the strength of counterparties specifically, many lenders have reduced and, in some cases, ceased to provide funding to the Company. See Sources of Liquidity-Borrowings section below for additional information.

Liquidity is provided primarily through the Company's business operations and financing activities.

Cash provided by operating activities during the nine months ended June 30, 2009 was approximately \$438.3 million, which was primarily attributable to the decrease in brokerage client receivables, the increase in brokerage client deposits (directly correlated to the increase in segregated assets), the decrease in stock-borrowed receivables, and the decrease in receivables from broker-dealers and clearing organizations. This was partially offset by the increase in segregated assets, the decrease in stock-loaned payables, the decrease in payables to broker-dealers and clearing organizations, and the decrease in accrued compensation payables.

Cash provided by investing activities was \$153.7 million, which was primarily attributable to loan repayments to RJ Bank, maturations and repayments of available for sale securities at RJ Bank, and the decrease in securities purchased under agreements to resell at RJ Bank. This was partially offset by loan originations and purchases of available for sale securities at RJ Bank.

Financing activities used \$3.2 billion, which was predominantly the result of repayments on borrowed funds, including the \$1.9 billion overnight borrowing to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution at September 30, 2008, and the decrease in deposits at RJ Bank.

The Company believes its existing assets, most of which are liquid in nature, together with funds generated from operations, committed and uncommitted credit facilities and potential external financing, should provide adequate funds for continuing operations at current levels of activity.

Sources of Liquidity

In addition to the liquidity provided through the Company's business operations, the Company has various potential sources of capital.

Liquidity Available from Subsidiaries

The Company's two principal domestic broker-dealer subsidiaries are required to maintain net capital equal to the greater of \$250,000 or 2% of aggregate debit balances arising from customer transactions. At June 30, 2009, both of these brokerage subsidiaries far exceeded their minimum net capital requirements. At that date, these subsidiaries had excess net capital of \$288.7 million, of which approximately \$150 to \$200 million is available for dividend payments (subject to cash availability, credit agreement restrictions, and possibly to regulatory approval) while still maintaining a capital level well above regulatory "early warning" guidelines.

Subject to notification and in some cases approval by the Office of Thrift Supervision ("OTS"), RJ Bank may pay dividends to the parent company as long as RJ Bank maintains its "well capitalized" status under bank regulatory capital guidelines.

Liquidity available to the Company from its subsidiaries, other than its broker-dealer subsidiaries and RJ Bank, is not limited by regulatory requirements.

Borrowings and Financing Arrangements

The following table presents the Company's domestic financing arrangements as of June 30, 2009:

	Committed Unsecured	Committed Collateralized	Uncommitted Collateralized	Uncommitted Unsecured	Total Financing Arrangements
	(in 000's)				
RJ&A (with third party lenders)	\$ -	\$ 175,000	\$ 235,100	\$ 150,000	\$ 560,100
RJ&A (with related parties)	-	-	120,000	-	120,000
RJF	100,000	-	-	-	100,000
Total Company	\$ 100,000	\$ 175,000	\$ 355,100	\$ 150,000	\$ 780,100

At June 30, 2009, the Company maintained three 364-day committed and several uncommitted financing arrangements denominated in U.S. dollars totaling \$780.1 million and one uncommitted line of credit denominated in Canadian dollars ("CDN") in the amount of CDN \$20 million. Lenders are under no obligation to lend to the Company under uncommitted credit facilities. Committed facilities include a \$100 million unsecured revolving credit agreement in the name of RJF, which closed in February 2009. This credit agreement was amended in June 2009 to eliminate the requirement of approval to participate in the U.S. Treasury's TARP Capital Purchase Program ("CPP") as a condition to borrowing under the agreement. The Company withdrew its November 2008 application to participate in the CPP program in May 2009. Committed credit facilities provided by commercial banks to RJ&A include a \$75 million bilateral repurchase agreement which closed in April 2009 and a \$100 million tri-party repurchase agreement. These facilities are subject to 0.12% and 0.125% commitment fees, respectively, and the required market value of the collateral ranges from 102% to 125%.

Additionally, RJ&A maintains \$235.1 million in uncommitted secured facilities provided by commercial banks. At June 30, 2009, RJ&A also maintained two \$60 million uncommitted tri-party repurchase facilities with RJFS and with RJ Bank. Unsecured, uncommitted loan facilities available to RJ&A totaled \$150 million.

At June 30, 2009, there were collateralized financings outstanding in the amount of \$84.1 million. Consolidated repurchase agreement financings are included in Securities Sold Under Agreements to Repurchase on the Condensed Consolidated Statement of Financial Condition. Such financings are collateralized by non-customer, RJ&A-owned securities.

The interest rates for all of the Company's financing facilities are variable and are based on the Fed Funds rate, LIBOR, credit default swaps rate, or Canadian prime rate as applicable. Unlike committed credit facilities, uncommitted lenders are not subject to any formula determining the interest rates they may charge on a loan. For the three months ended June 30, 2009, interest rates on the financing facilities ranged from (on a 360 days per year basis) 0.64% to 2.69%. For the three months ended June 30, 2008, those interest rates ranged from 2.00% to 4.38%.

In addition, the Company's joint ventures in Turkey and Argentina have multiple settlement lines of credit. At June 30, 2009, there was an outstanding balance of \$0.5 million on the settlement line in Argentina. There was no outstanding balance on the settlement line in Turkey. The Company has guaranteed the settlement line of credit in Argentina for \$9 million. The Company did not renew its guarantee of the settlement line of credit in Turkey. An unsecured settlement line of credit is available to the Argentina venture in the amount of \$4.4 million, and at June 30, 2009, there was no outstanding balance on this line. The interest rates for these lines of credit ranged from 4% to 18%. On December 5, 2008, the Company's Turkish joint venture ceased operations. See Note 12 of the Notes to the Condensed Consolidated Financial Statements for more information.

RJ Bank had \$50 million in FHLB advances outstanding at June 30, 2009, comprised of several long-term, fixed rate advances. RJ Bank had \$1.2 billion in immediate credit available from the FHLB on June 30, 2009 and total available credit of 40% of total assets, with the pledge of additional collateral to the FHLB. See Note 9 of the Notes to Condensed Consolidated Financial Statements for more information. At June 30, 2009, all of the FHLB advances outstanding were secured by a blanket lien on RJ Bank's residential loan portfolio and FHLB stock.

At June 30, 2009, the Company had loans payable of \$110.3 million. The balance at June 30, 2009 is comprised of a \$59.8 million mortgage loan for its home-office complex, \$50 million in FHLB advances (RJ Bank), and \$0.5 million outstanding on an unsecured settlement line of credit in Argentina.

Other Sources of Liquidity; Availability of Capital for RJ Bank

The Company owns a significant number of life insurance policies utilized to fund certain non-qualified deferred compensation plans. The Company is able to borrow up to 90% of the cash surrender value of these policies. To further solidify its cash position, the Company borrowed the full 90%, or \$38 million, against these policies in December 2008, of which \$20 million was repaid on July 31, 2009. There is no specified maturity for this loan.

The Company's ability to provide additional capital to RJ Bank is limited by its own available liquidity. At June 30, 2009, the Company's available liquidity from which to provide capital to RJ Bank was \$120 million, consisting predominantly of the excess capital at the Company's broker-dealer subsidiary, RJ&A, that was available from time to time for dividends to the parent company.

On May 29, 2009, the Company filed a "universal" shelf registration statement with the SEC to be in a position to access the capital markets if and when opportune.

If the Company were unable to obtain external financing, it may be necessary to reduce cash contributions to its subsidiaries, extract capital from its subsidiaries to the extent permitted while maintaining compliance with regulatory requirements and loan covenants, or reduce investments in private equity and venture capital endeavors. Those courses of action could result in foregoing opportunities to recruit additional Financial Advisors or acquire new business operations, reducing inventory levels of carried securities or scaling back of current business operations. A consequence of any of those courses of action would likely be a negative impact on near term earnings.

See *Contractual Obligations, Commitments and Contingencies* section below for information regarding the Company's commitments.

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 items represented in the statement of financial condition are primarily liquid in nature, providing the Company with flexibility in financing its business. Total assets of \$17.8 billion at June 30, 2009 were down approximately 5% from September 30, 2008 (excluding the cash received in the prior year from the \$1.9 billion overnight borrowing at RJ Bank). Most of this modest decrease is due to the decrease in securities purchased under agreements to resell and changes in broker-dealers' gross assets and liabilities, including receivables from brokerage clients, trading inventory, stock loan/borrow, receivables and payables from/to broker-dealers and clearing organizations, which fluctuate with the Company's business levels and overall market conditions.

As of June 30, 2009, the Company's liabilities are comprised primarily of brokerage client payables of \$6.5 billion at the broker-dealer subsidiaries and deposits of \$7.6 billion at RJ Bank, as well as deposits held on stock loan transactions of \$578 million. The Company primarily acts as an intermediary in stock loan/borrow transactions. As a result, the liability associated with the stock loan transactions is related to the \$559 million receivable comprised of the Company's cash deposits for stock borrowed transactions. To meet its obligations to clients, the Company has approximately \$5.7 billion in cash and segregated assets. The Company also has client brokerage receivables of \$1.4 billion and \$7.1 billion in loans, net at RJ Bank.

Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations of approximately \$2.7 billion, with \$2.2 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, unsettled loan purchases, underwriting commitments, loans and transition assistance commitments to financial advisors and a stadium naming rights agreement. Included in the obligations due within the next twelve months are \$1.9 billion in commitments related to RJ Bank'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 Notes 12 and 16 of the Notes to the Condensed Consolidated Financial Statements for further information on the Company's commitments).

The Company's Board of Directors approved up to \$200 million in short-term or mezzanine financing investments, primarily related to investment banking transactions. As of June 30, 2009, the Company did not have any such investments. The Board of Directors has approved the use of up to \$75 million for investment in proprietary merchant banking opportunities. As of June 30, 2009, the Company has invested \$33.5 million. The use of this capital is subject to availability of funds.

The Company is authorized by the Board of Directors to repurchase its common stock for general corporate purposes. There is no formal stock repurchase plan at this time. In May 2004, the Board authorized the repurchase of up to \$75 million of shares. During March 2008, the Company exhausted this authorization. On March 11, 2008, the Board of Directors authorized an additional \$75 million for repurchases at the discretion of the Board's Share Repurchase Committee. As of June 30, 2009, the unused portion of this authorization was \$65.5 million.

RJ Bank provides to its affiliate, RJCS, on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower's default for exposure under interest rate swaps entered into with RJCS. At June 30, 2009 and September 30, 2008, the current exposure under these guarantees was \$11.4 million and \$2.5 million, respectively, which was underwritten as part of RJ Bank's larger corporate credit relationships. The estimated total potential exposure under these guarantees is \$14.6 million at June 30, 2009.

RJ Bank has outstanding at any time a significant number of commitments to extend credit, and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases. Because many loan commitments expire without being funded in whole or part, the contract amounts are not estimates of the Company's future liquidity requirements. Based on the underlying terms and conditions of these loans, management believes it is highly unlikely that a material percentage of these commitments would be drawn. Many of these loan commitments have fixed expiration dates or other termination clauses and, historically, a large percentage of the letters of credit expire without being funded.

As of June 30, 2009, RJ Bank had entered into two short-term reverse repurchase agreements totaling \$340 million with one counterparty. Although RJ Bank is exposed to risk that this counterparty may not fulfill its contractual obligations, the Company believes the risk of loss is minimal due to the U.S. Treasury or U.S. agency securities received as collateral, the creditworthiness of this counterparty (which is closely monitored) and the short duration of these agreements.

The FDIC announced in February 2009 that it was imposing a special assessment on insured financial institutions in order to ensure the continued strength of its insurance fund. The amount to be assessed was finalized in April 2009 to represent five basis points of a financial institution's total assets less Tier 1 capital at June 30, 2009, which is capped at 10 basis points of domestic deposits as of the same accounting period. This special assessment of \$4.0 million has been expensed as of June 30, 2009 and is payable to the FDIC on September 30, 2009.

The Company has also committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low income housing development/rehabilitation and syndication activities, aggregating up to \$125 million upon request, subject to certain limitations as well as annual review and renewal. RJTCF borrows in order to invest in partnerships which purchase and develop properties qualifying for tax credits ("project partnerships"). These investments in project partnerships are then sold to various tax credit funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells these investments within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings. During the first quarter of fiscal year 2009, a subsidiary of the Company purchased 58 units in one of RJTCF's current fund offerings ("Fund 34") for a capital contribution of up to \$58 million. During the second quarter of fiscal year 2009, the Company sold five units of Fund 34 to an unrelated third party for approximately \$5 million and thus as of June 30, 2009 the Company holds 53 units of Fund 34. At June 30, 2009, \$51.9 million of capital had been contributed by the subsidiary to Fund 34 in addition to an advance of \$5.8 million made by RJTCF to Fund 34 as of June 30, 2009 (refer to the discussion of short-term advances RJTCF may provide to project partnerships on behalf of tax credit funds discussed below). The subsidiary expects to resell its interests in Fund 34 to other investors; however, the holding period of this interest could be much longer than 90 days. In addition to the 58 unit interest in Fund 34 initially purchased, RJTCF provided certain specific performance guarantees to the third-party investors of Fund 34. The Company had guaranteed a \$58 million capital contribution obligation as well as the specified performance guarantees provided by RJTCF to Fund 34's third-party investors. The unfunded capital contribution obligation to Fund 34 is \$300,000 as of June 30, 2009. 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, 2009, cash funded to invest in either loans or investments in project partnerships (excluding the capital invested in 53 units of Fund 34 mentioned previously) was \$14.9 million. In addition, at June 30, 2009, RJTCF is committed to additional future fundings (excluding the unit purchase mentioned previously) of \$300,000 related to project partnerships that have not yet been sold to various tax credit funds. The Company and RJTCF also issue certain guarantees to various third parties related to project partnerships, interests in which have been or are expected to be sold to one or more tax credit funds under RJTCF's management. In some instances, RJTCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately \$12.5 million as of June 30, 2009. Through RJTCF's wholly owned lending subsidiary, Raymond James Multi-Family Finance, Inc., certain construction loans or loans of longer duration ("permanent loans") may be made directly to certain project partnerships. As of June 30, 2009, seven such construction loans are outstanding with an unfunded balance of \$2.3 million available for future draws on such loans. Similarly, five permanent loan commitments are outstanding as of June 30, 2009. Each of these commitments will only be funded if certain conditions are achieved by the project partnership and in the event such conditions are not met, generally expire two years after their issuance. The total amount of such unfunded permanent loan commitments as of June 30, 2009 is \$5.9 million.

The Company is the lessor in a leveraged commercial aircraft transaction with Continental Airlines, Inc. ("Continental"). The Company's ability to realize its expected return is dependent upon this airline's ability to fulfill its lease obligation. In the event that this airline defaults on its lease commitment and the Trustee for the debt holders is unable to re-lease or sell the plane with adequate terms, the Company would suffer a loss of some or all of its investment. The value of the Company's leveraged lease with Continental was approximately \$8.2 million as of June 30, 2009. 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 May 2014. Although Continental remains current on its lease payments to the Company, the inability of Continental to make its lease payments, or the termination or modification 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. The Company continues to monitor this lessee for specific events or circumstances that would increase the likelihood of a default on Continental's obligations under this lease.

The Company utilizes client marginable securities to satisfy deposits with clearing organizations. At June 30, 2009, the Company had client margin securities valued at \$161.4 million pledged with a clearing organization to meet the point in time requirement of \$74 million. At September 30, 2008, the Company had client margin securities valued at \$210 million pledged with a clearing organization to meet the point in time requirement of \$139.9 million.

The Company offers loans and transition assistance to its Financial Advisors mainly for recruiting or retention purposes. These commitments are contingent upon certain events occurring, including but not limited to the Financial Advisor joining the Company and meeting certain production requirements. In certain circumstances, the Company may make commitments prior to funding them. As of June 30, 2009, the Company estimates that it had made commitments of \$33.5 million in loans and transition assistance that have not yet been funded.

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 is a party to two agreements with Raymond James Trust, National Association ("RJT"). The Office of the Controller of the Currency ("OCC") is also a party to one of those agreements. The two agreements were a condition to OCC's approval of RJT's conversion in January 2008 from a state to a federally chartered institution. Under those agreements, the Company is obligated to provide RJT with sufficient capital in a form acceptable to the OCC to meet and maintain the capital and liquidity requirements commensurate with RJT's risk profile for its conversion and any subsequent requirements of the OCC. The conversion expands RJT's market nationwide, while substituting federal for multiple state regulatory oversight. RJT's federal charter limits it to fiduciary activities. Thus, capital requirements are not expected to be significant.

On July 6, 2009, the Company entered into a Deposit Services Agreement with Promontory Interfinancial Network, LLC. ("Promontory"). This agreement obligates the Company to begin utilizing this FDIC-insured cash sweep program for its clients no later than October 1, 2009. As part of this arrangement, the Company and Promontory have also entered into a tri-party agreement with a third party financial institution, which requires a specified amount of client deposits to be directed to this institution for a period of up to four years.

See Note 12 of the Notes to the Consolidated Financial Statements for further information on the Company's commitments and contingencies.

RJ&A and RJFS have been subject to ongoing investigations in connection with their sale of auction rate securities. Auction rate securities (“ARS”) are long-term debt and equity instruments whose interest/dividend rates are reset by periodic (typically weekly or monthly) auctions. The auctions also provided liquidity to ARS holders. Those auctions began failing in February 2008, resulting in holders being unable to liquidate investments they believed to be readily saleable for cash at par. The Securities and Exchange Commission, whose investigation is now in its sixteenth month, continues to take testimony of various individuals and from time to time seeks additional documents and information. The Office of Financial Regulation of the State of Florida, which began its investigation of Raymond James a year ago, has also sought extensive documentation and has been contacting Raymond James clients. In addition, Florida regulators have recently requested the testimony of approximately twenty individuals, who are employees or independent financial advisors. Extensive documentation has also been provided to the Office of the Attorney General of the State of New York, which is monitoring these investigations. To date, none of the regulators have reported to the Company on the status of their investigations or provided it with any indication as to a timeline for completing their investigations, nor have they made any demand of the Company to take any remedial action with respect to ARS held by its clients. If the Company were to consider resolving pending claims, inquiries or investigations by offering to repurchase all or a significant portion of these ARS from certain clients, it would have to have sufficient regulatory capital and cash or borrowing power to do so, and at present it does not have such capacity. Because the Company believes it has meritorious defenses and does not have sufficient regulatory capital, cash or borrowing capacity to repurchase all or a significant portion of the remaining ARS held by Raymond James clients, any action to compel repurchasing ARS would likely be vigorously contested by it.

As of July 31, 2009, approximately two-thirds of the remaining \$813 million of ARS currently held by Raymond James clients have been issued by funds of Nuveen Investments, a large mutual fund sponsor. Nuveen is currently pursuing alternatives to refinance the ARS issued by its funds. Although there can be no assurance that Nuveen's refinancing plans will be successful, their refinancing would significantly reduce the Company's clients' holdings of ARS.

See Item 1, “Legal Proceedings” in Part II of this report for additional information concerning ARS.

Regulatory

The Company's broker-dealer subsidiaries are subject to requirements of the SEC in the United States and the IIROC in Canada relating to liquidity and capital standards. The domestic 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. RJ&A, a member firm of FINRA, is also subject to the rules of FINRA, whose requirements are substantially the same. Rule 15c3-1 requires that aggregate indebtedness, as defined, not exceed 15 times net capital, as defined. Rule 15c3-1 also provides for an “alternative net capital requirement”, which RJ&A, RJFS, Eagle Fund Distributors, Inc. (“EFD”) and Raymond James (USA) Ltd. have elected. It requires that minimum net capital, as defined, be equal to the greater of \$250,000 or 2% of Aggregate Debit Items arising from client transactions. FINRA may require a member firm to reduce its business if its net capital is less than 4% 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 5% of Aggregate Debit Items. RJ&A, RJFS, EFD, and Raymond James (USA) Ltd. all had net capital in excess of minimum requirements as of June 30, 2009.

RJ Ltd. is subject to the Minimum Capital Rule (By-Law No. 17 of the IIROC) and the Early Warning System (By-Law No. 30 of the IIROC). 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 IIROC may from time to time prescribe. Insufficient Risk Adjusted Capital may result in suspension from membership in the stock exchanges or the IIROC. 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 its capital, profitability, liquidity position, frequency of designation or at the discretion of the IIROC. 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. RJ Ltd. was not in Early Warning Level 1 or Level 2 during the quarter ended June 30, 2009 or September 30, 2008.

RJ Bank 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, RJ Bank must meet specific capital guidelines that involve quantitative measures of RJ Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. RJ Bank'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 RJ Bank to maintain minimum amounts and ratios of Total and Tier I Capital (as defined in the regulations) to both risk-weighted assets and adjusted assets (as defined). Management believes, as of June 30, 2009, that RJ Bank meets all capital adequacy requirements to which it is subject.

RJ Bank's ability to maintain its "well capitalized" level may be limited by the Company's ability to continue to provide capital to RJ Bank. At June 30, 2009, the Company's available liquidity from which to provide capital to RJ Bank was \$120 million, consisting predominantly of the excess capital at the Company's broker-dealer subsidiary, RJ&A, that was available from time to time for dividends to the parent company. In addition, the Company's filing of a universal shelf registration statement as described in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-*Other Sources of Liquidity; Availability of Capital for RJ Bank*" above may also provide alternatives for the Company to raise additional capital.

RJ Bank applied to the Office of the Comptroller of the Currency ("OCC") to convert from a federal savings bank to a national bank on November 29, 2008 and RJF applied to the Federal Reserve Board to become a bank holding company on December 5, 2008. RJF had a preliminary visit by a Federal Reserve Board examiner in January 2009 and since then has responded to several follow-up requests for additional information. RJF has recently been informed by the Federal Reserve Board that they will conduct a pre-approval inspection of RJF beginning in August. Accordingly, RJF does not expect action on its bank holding company application until the Federal Reserve Board has completed its inspection and received satisfactory responses to all questions that arise in the course of that inspection. Given that this inspection has yet to begin, RJF is currently unable to estimate if or when it could be approved as a bank holding company. Federal Reserve Board staff has also recently indicated that resolution of the Company's outstanding ARS issue could impact the timing of RJF's conversion application. The OCC has completed its inspection of RJ Bank and the Company is not aware of any impediments to RJ Bank's conversion to a national bank, other than approval by the Federal Reserve Board of RJF as a bank holding company.

The Company's business plan for RJ Bank is for it to become a commercial bank, enabling it to have a majority of its loan portfolio composed of corporate and commercial real estate loans. If RJ Bank remains a thrift, its business mix would be required to be oriented to loans related to residential real estate and other qualifying thrift assets.

Off-Balance Sheet Arrangements

Information concerning the Company's off-balance sheet arrangements is included in Note 16 of the Notes to the Condensed Consolidated Financial Statements. Such information is hereby incorporated by reference.

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.

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, 2008. 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 Financial Instruments and Other Assets

The use of fair value to measure financial instruments, with related gains or losses recognized in the Company's Condensed Consolidated Statements of Income and Comprehensive Income, is fundamental to the Company's financial statements and its risk management processes.

"Trading instruments" and "Available for sale securities" are reflected in the Condensed Consolidated Statements 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 income or other comprehensive income, depending on the underlying purpose of the instrument.

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

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

In determining fair value, the Company uses various valuation approaches, including market, income and/or cost approaches. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, the Company's own assumptions reflect those that market participants would use in pricing the asset or liability at the measurement date. SFAS 157 describes the following three levels used to classify fair value measurements:

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

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

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

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

Valuation Techniques

Notwithstanding the valuation approach utilized as discussed above, the fair value for certain financial instruments is derived using pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments. Financial instruments for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than financial instruments that are thinly traded or not quoted. In accordance with SFAS 157, the criteria used to determine whether the market for a financial instrument is active or inactive is based on the particular asset or liability. For equity securities, the Company's definition of actively traded was based on average daily volume and other market trading statistics. The Company considered the market for other types of financial instruments, including certain CMOs, asset backed securities ("ABS") and certain collateralized debt obligations, to be inactive as of June 30, 2009. As a result, the valuation of these financial instruments included significant management judgment in determining the relevance and reliability of market information available. The Company considered the inactivity of the market to be evidenced by several factors, including decreased price transparency caused by decreased volume of trades relative to historical levels, stale transaction prices and transaction prices that varied significantly either over time or among market makers. The specific valuation techniques utilized for the category of financial instrument presented in the unaudited Condensed Consolidated Statement of Financial Condition are described below.

Cash Equivalents

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

Trading Instruments and Trading Instruments Sold but Not Yet Purchased

Trading Securities

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

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

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

Derivative Contracts

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

Available for Sale Securities

Available for sale securities are comprised primarily of CMOs and other residential mortgage related debt securities. Debt and equity securities classified as available for sale are reported at fair value with unrealized gains and losses, net of deferred taxes, reported in shareholders' equity as a component of accumulated other comprehensive income ("OCI") unless the loss is considered to be other-than-temporary, in which case the related credit loss portion is recognized as a loss in other revenue.

The fair value of available for sale securities is determined by obtaining third party pricing service bid quotations and third party broker-dealer quotes. Third party pricing service bid quotations are based on current market data. The third party pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other current market information as well as cash flow expectations and, when available, loan performance data. The market inputs the third party pricing service normally seeks for these price evaluations are based upon observable data including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Securities valued using these valuation techniques are classified within Level 2 of the fair value hierarchy. For all subordinated non-agency CMOs, the Company estimates fair value by utilizing discounted cash flow analyses, using observable market data where available as well as unobservable inputs provided by management. The unobservable inputs utilized in these valuation techniques reflect the Company's own supposition about the assumptions that market participants would use in pricing a security, including those about future delinquencies, loss severities, defaults and prepayments. Securities valued using these valuation techniques are classified within Level 3 of the fair value hierarchy.

Upon adopting FSP SFAS No. 157-4 during the quarter ended March 31, 2009, the Company changed the valuation technique used for senior non-agency CMOs as a result of the significant decrease in the volume and level of activity for these securities. The Company utilizes a discounted cash flow analysis to determine which price quote is most representative of fair value under the current market conditions. In most cases (16 of 25 senior securities), third party pricing service bid quotations based upon observable data as described above were determined to be the most representative indication of fair value for these securities. For the remaining senior securities, the Company's discounted cash flow analysis indicated third party broker-dealer quotes as more representative and accordingly, the Company gave correspondingly more weight to that indicator of fair value. In order to validate that the inputs used by the third party pricing service are observable, management requests, on a quarterly basis, the inputs for a sample of senior securities and compares these inputs to those used in the Company's discounted cash flow analysis. Securities measured using these valuation techniques are generally classified within Level 2 of the fair value hierarchy.

If these sources are not available, or are deemed unreliable, then a security's fair value is estimated using the Company's discounted cash flow analyses as is used for the subordinated non-agency CMOs. In such instances, the securities measured are generally classified within Level 3 of the fair value hierarchy.

The Company adopted FSP SFAS No. 115-2 and SFAS 124-2 on January 1, 2009. See Note 2 of the Notes to the Condensed Consolidated Financial Statements for additional information. FSP SFAS No. 115-2 and SFAS 124-2 amends the other-than-temporary impairment guidance for debt securities classified as available for sale and held-to-maturity to shift the focus from an entity's intent to hold until recovery to its intent or requirement to sell. This guidance is to be applied to previously other-than-temporarily impaired debt securities existing as of the effective date by making a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The cumulative-effect adjustment reclassifies the non-credit portion of a previously other-than-temporarily impaired debt security held as of the date of initial adoption from retained earnings to accumulated other comprehensive income. The Company did not record a cumulative-effect adjustment upon adoption of this guidance as the adjustment was deemed to be immaterial.

For securities in an unrealized loss position at quarter end, the Company makes an assessment whether these securities are impaired on an other-than-temporary basis. In order to evaluate the Company's risk exposure and any potential impairment of these securities, characteristics of each security owned such as collateral type, delinquency and foreclosure levels, credit enhancement, projected loan losses and collateral coverage are reviewed monthly by management. The following factors are considered to determine whether an impairment is other-than-temporary: the Company's intention to sell the security, the Company's assessment of whether it more likely than not will be required to sell the security before the recovery of its amortized cost basis, and whether the evidence indicating that the Company will recover the entire amortized cost basis of a security outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to period end, recent events specific to the issuer or industry, forecasted performance of the security, and any changes to the rating of the security by a rating agency.

In applying FSP SFAS No. 115-2, and SFAS 124-2 and FSP EITF 99-20-1, which amended EITF 99-20, the Company determines the cash flows expected to be collected for each security based upon its best estimate of future delinquencies, loss severity and prepayments to determine the probability of future losses resulting in other-than-temporary impairment. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the credit loss portion of the write-down recorded as a realized loss in other revenue and the non-credit portion of the write-down recorded in other comprehensive income. The credit loss portion of the write-down is the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the security. The previous amortized cost basis of the security less the other-than-temporary impairment recognized in earnings establishes the new cost basis for the security.

The Company estimates the portion of loss attributable to credit using a discounted cash flow model. The Company's discounted cash flow model utilizes relevant assumptions such as prepayment rate, default rate, and loss severity on a loan level basis.

See Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information regarding the Company's available for sale securities.

Private Equity Investments

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

Other Investments

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

Goodwill

Goodwill is related to the acquisitions of Roney & Co. (now part of RJ&A) 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 142. Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. In accordance with this pronouncement, indefinite-life intangible assets and goodwill are not amortized. Rather, they are subject to impairment testing on an annual basis, or more often if events or circumstances indicate there may be impairment. This test involves assigning tangible assets and liabilities, identified intangible assets and goodwill to reporting units and comparing the fair value of each reporting unit to its carrying amount. If the fair value is less than the carrying amount, a further test is required to measure the amount of the impairment.

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, 2009, goodwill had been allocated to the Private Client Group of RJ&A, and both the Private Client Group and Capital Markets segments of Raymond James Ltd. The Company performed its annual impairment testing as of March 31, 2009. This analysis did not result in impairment, despite the impact of unfavorable market conditions on the Private Client Group and Capital Market segments. 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.

Allowance for Loan Losses and Other Provisions

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 or an asset has been impaired 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 the minimum of the range of probable loss.

The Company records reserves related to legal proceedings in Trade and Other Payables. Such reserves are established and maintained in accordance with SFAS No. 5, "Accounting for Contingencies" ("SFAS 5"), and Financial Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss". 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.

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.

RJ Bank provides an allowance for loan losses in accordance with SFAS 5 and SFAS No. 114, "Accounting by a Creditor for Impairment of a Loan" ("SFAS 114"). The amount maintained in the allowance reflects management's continuing evaluation of the probable losses inherent in the loan portfolio. The allowance for loan losses is comprised of two components: allowances calculated based on formulas for homogeneous classes of loans and specific allowances assigned to certain classified loans individually evaluated for impairment. The calculation of the allowance based on formulas is subjective as management segregates the loan portfolio into homogeneous classes. Each class is then assigned an allowance percentage based on the perceived risk associated with that class of loans, which is then further segregated by loan grade.

RJ Bank's loan grading process provides specific and detailed risk measurement across the corporate loan portfolio. The factors taken into consideration when assigning the allowance percentage to each allowance 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 RJ Bank's unfunded lending commitments using the criteria above, further adjusted for an estimated probability of funding.

For individual loans identified as impaired under SFAS 114, RJ Bank 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 supported by collateral. After consideration of the borrower's ability to restructure the loan, alternative sources of repayment, and other factors affecting the borrower's ability to repay the debt, the portion of the allowance deemed to be a confirmed loss, if any, is charged off. For collateral dependent corporate loans secured by real estate, the amount of the reserve considered a confirmed loss and charged off is generally equal to the difference between the recorded investment in the loan and the appraised value less costs to sell the collateral. These impaired loans are then considered to be in a workout status and management continually evaluates all factors relevant in determining the collectability and fair value of the loan. Appraisals on these impaired loans are obtained early in the impairment process as part of determining fair value and are updated as deemed necessary given the facts and circumstances of each individual situation. All individual nonperforming commercial real estate loans as of June 30, 2009, are closely monitored by RJ Bank management. Certain factors such as guarantor recourse, additional borrower cash contributions or stable operations will mitigate the need for more frequent than annual appraisals. In its continuous evaluation of each individual loan, management considers more frequent appraisals in geographies where commercial property values are known to be experiencing a greater amount of volatility. For other corporate loans, RJ Bank evaluates all sources of repayment, including the estimated liquidation value of collateral pledged, to arrive at the amount considered to be a loss and charged off. Similar to retail banking, corporate banking and credit risk managers also hold a monthly meeting to review criticized loans. Additional charge-offs are taken when the value of the collateral changes or there is a change in the expected cash flows.

As part of the ongoing evaluation process, charge-offs are considered on residential mortgage loans once the loans are delinquent 90 days or more. A charge-off is taken for the difference between the loan amount and the amount that RJ Bank estimates will ultimately be collected, based on the value of the underlying collateral less costs to sell. The property values are adjusted for anticipated selling costs and the balance is charged off against the allowance. RJ Bank predominantly uses broker price opinions ("BPO") for these valuations as access to the property is restricted during the foreclosure process and there is insufficient data available for a full appraisal to be performed. BPOs contain relevant and timely sale comparisons and listings in the marketplace, and therefore, management has found these BPOs to be good determinants of market value in lieu of appraisals and are more reliable than an automated valuation tool or the use of tax assessed values. A full appraisal is obtained post-foreclosure. RJ Bank takes further charge-offs against the owned asset if an appraisal has a lower valuation than the original BPO, but does not reverse previously charged-off amounts if the appraisal is higher than the original BPO. If a loan remains in pre-foreclosure status for more than six months, an updated valuation is obtained and further charge-offs are taken if necessary. In addition, these loans are reviewed in a monthly delinquency meeting jointly administered by retail banking and credit risk managers. An initial charge-off is generally taken when the loan is between 90 and 120 days past due.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review RJ Bank's allowance for loan losses. Such agencies may require RJ Bank to recognize additions to the allowance based on their judgments and information available at the time of their examination.

At June 30, 2009, the amortized cost of all RJ Bank loans was \$7.2 billion and an allowance for loan losses of \$137.0 million was recorded against that balance. The total allowance for loan losses is equal to 1.90% of the amortized cost of the loan portfolio.

The following table allocates RJ Bank's allowance for loan losses by loan category:

	June 30, 2009		September 30, 2008	
	Allowance	Loan Category as a % of Total Loans Receivable	Allowance	Loan Category as a % of Total Loans Receivable
	(\$ in 000's)			
Commercial Loans	\$ 14,604	12%	\$ 10,147	10%
Real Estate Construction Loans	10,309	6%	7,061	5%
Commercial Real Estate Loans (1)	84,839	46%	62,197	49%
Residential Mortgage Loans	27,135	36%	8,589	36%
Consumer Loans	141	-	161	-
Total	\$ 137,028	100%	\$ 88,155	100%

(1) Loans wholly or partially secured by real estate.

The current condition of the real estate and credit markets has substantially increased the complexity and uncertainty involved in estimating the losses inherent in RJ Bank's loan portfolio. If management's underlying assumptions and judgments prove to be inaccurate, the allowance for loan losses could be insufficient to cover actual losses. These losses would result in a decrease in the Company's net income as well as a decrease in the level of regulatory capital at RJ Bank.

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, 2009 the receivable from Financial Advisors was \$250.4 million, which is net of an allowance of \$3.1 million for estimated uncollectibility.

Income Taxes

SFAS No. 109, "Accounting for Income Taxes", as interpreted by FIN 48, 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. See Note 11 of the Notes to the Condensed Consolidated Financial Statements for further information on the Company's income taxes.

For discussion of the effects recently issued accounting standards not yet adopted will have on the Company's accounting policies and consolidated financial statements, see Note 2 of the Notes to the Condensed Consolidated Financial Statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For a complete 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 foreign exchange risk, credit risk, liquidity 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, 2008.

Market Risk

Market risk is the risk of loss to the Company resulting from changes in interest rates and security prices. The Company has exposure to market risk primarily through its broker-dealer and banking operations. The Company's broker-dealer subsidiaries, primarily RJ&A, trade tax-exempt and taxable debt obligations and act as an active market maker in approximately 700 listed and 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. RJ Bank holds investments in mortgage backed securities and CMOs within its available for sale securities portfolio. Additionally, the Company, primarily within its Canadian broker-dealer subsidiary, invests for its own proprietary equity investment account.

See Notes 3 and 4 of the Notes to the Condensed Consolidated Financial Statements for information regarding the fair value of trading inventories associated with the Company's broker-dealer client facilitation, market-making and proprietary trading activities. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for information regarding the fair value of available for sale securities.

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, corporate bonds, municipal bonds) and for individual traders. As of June 30, 2009, the absolute fixed income and equity inventory limits excluding contractual underwriting commitments for the Company's domestic subsidiaries, were \$1.96 billion and \$59.8 million, respectively. These same inventory limits for RJ Ltd. as of June 30, 2009, were CDN \$47.0 million and CDN \$62.9 million, respectively. The Company's trading activities in the aggregate were significantly below these limits at June 30, 2009. 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, spread, ratio, basis, and volatility risk. These exposures are monitored both on a total portfolio basis and separately for selected maturity periods.

In the normal course of business, the Company enters into underwriting commitments. RJ&A and RJ Ltd., as a lead, co-lead or syndicate member in the underwriting deal, may be subject to market risk on any unsold shares issued in the offering to which they are committed. Risk exposure is controlled by limiting participation, the deal size or through the syndication process.

Interest Rate Risk

The Company is exposed to interest rate risk as a result of maintaining trading inventories of fixed income instruments and actively manages this risk using hedging techniques that involve swaps, futures, and U.S. Treasury obligations. 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 an appropriate statistical technique for estimating the potential loss in trading portfolios due to typical adverse market movements over a specified time horizon with a suitable confidence level.

To calculate VaR, the Company uses historical simulation. This approach assumes that historical changes in market conditions are representative of future changes. The simulation is based upon daily market data for the previous twelve months. VaR is reported at a 99% confidence level, based on a one-day time horizon. This means that the Company could expect to incur losses greater than those predicted by the VaR estimates only once in every 100 trading days, or about 2.5 times a year on average over the course of time. During the nine months ended June 30, 2009, the reported daily loss in the institutional Fixed Income trading portfolio exceeded the predicted VaR one time.

However, trading losses on a single day could exceed the reported VaR by significant amounts in unusually volatile markets and might accumulate over a longer time horizon, such as a number of consecutive trading days. Accordingly, management employs additional interest rate risk controls including position limits, a daily review of trading results, review of the status of aged inventory, independent controls on pricing, monitoring of concentration risk, and review of issuer ratings.

The following table sets forth the high, low, and daily average VaR for the Company's overall institutional portfolio during the nine months ended June 30, 2009 and the VaR at June 30, 2009 and September 30, 2008, with the corresponding dollar value of the Company's portfolio:

	Nine Months Ended June 30, 2009			VaR at	
	High	Low	Daily Average	June 30, 2009	September 30, 2008
	(\$ in 000's)				
Daily VaR	\$ 901	\$ 296	\$ 540	\$ 764	\$ 586
Related Portfolio Value (Net) (1)	\$ 98,176	\$ 97,195	\$ 98,193	\$ 91,059	\$ 103,047
VaR as a Percent of Portfolio Value	0.92%	0.30%	0.56%	0.84%	0.57%

(1) Portfolio value achieved on the day of the VaR calculation.

The following table sets forth the high, low, and daily average VaR for the Company's overall institutional portfolio during the nine months ended June 30, 2008 and the VaR at June 30, 2008, with the corresponding dollar value of the Company's portfolio:

	Nine Months Ended June 30, 2008			VaR at	
	High	Low	Daily Average	June 30, 2008	
	(\$ in 000's)				
Daily VaR	\$ 690	\$ 253	\$ 430	\$ 445	
Related Portfolio Value (Net) (1)	\$ 196,188	\$ 115,100	\$ 165,131	\$ 205,470	
VaR as a Percent of Portfolio Value	0.35%	0.22%	0.27%	0.22%	

(1) Portfolio value achieved on the day of the VaR calculation.

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. As a result, VaR statistics are more reliable when used as indicators of risk levels and trends within a firm than as a basis for inferring differences in risk-taking across firms.

Additional information is discussed under Derivative Financial Instruments in Note 10 of the Notes to the Condensed Consolidated Financial Statements.

RJ Ltd.'s net income is sensitive to changes in interest rate conditions. Assuming a shift of 100 basis points in interest rates and using interest-bearing asset and liability balances as of June 30, 2009, RJ Ltd.'s sensitivity analysis indicates that an upward movement would increase RJ Ltd.'s net income by approximately CDN \$1.2 million for the quarter, whereas a downward shift of the same magnitude would decrease RJ Ltd.'s net income by approximately CDN \$284,000 for the quarter. This sensitivity analysis is based on the assumption that all other variables remain constant.

RJ Bank maintains an earning asset portfolio that is comprised of mortgage, corporate and consumer loans, as well as mortgage backed securities, securities purchased under resale agreements, short-term U.S. Treasury bills, deposits at other banks and other investments. Those earning assets are funded in part by its obligations to clients, including NOW accounts, demand deposits, money market accounts, savings accounts, and certificates of deposit; and FHLB advances. Based on the current earning asset portfolio of RJ Bank, market risk for RJ Bank is limited primarily to interest rate risk. In the current market and economic environment, short-term interest rate risk has been severely impacted as credit conditions have rapidly deteriorated and financial markets have experienced widespread illiquidity and elevated levels of volatility. RJ Bank 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 RJ Bank'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.

RJ Bank Financial Instruments with Market Risk (as described above):

	June 30, 2009	September 30, 2008
	(in 000's)	
Mortgage Backed Securities	\$ 175,305	\$ 301,329
Loans Receivable, Net	2,128,181	2,314,884
Total Assets with Market Risk	\$ 2,303,486	\$ 2,616,213
Certificates of Deposit	\$ 101,724	\$ 118,233
Federal Home Loan Bank Advances	50,000	50,000
Total Liabilities with Market Risk	\$ 151,724	\$ 168,233

The following table shows the distribution of those RJ Bank loans that mature in more than one year between fixed and adjustable interest rate loans at June 30, 2009:

	Interest Rate Type		
	Fixed	Adjustable	Total
	(in 000's)		
Commercial Loans	\$ 1,386	\$ 849,463	\$ 850,849
Real Estate Construction Loans	-	238,562	238,562
Commercial Real Estate Loans (1)	9,382	3,061,945	3,071,327
Residential Mortgage Loans	25,109	2,578,191	2,603,300
Consumer Loans	-	26,057	26,057
Total Loans	\$ 35,877	\$ 6,754,218	\$ 6,790,095

- (1) Of this amount, \$1.3 billion is secured by non-owner occupied commercial real estate properties or their repayment is dependent upon the operation or sale of commercial real estate properties as of June 30, 2009. The remainder is wholly or partially secured by real estate, the majority of which are also secured by other assets of the borrower.

One of the core objectives of RJ Bank'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 RJ Bank's interest rate risk including scenario analysis, interest repricing gap analysis and limits, and net portfolio value limits. 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.

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, RJ Bank's sensitivity analysis indicates that an upward movement would decrease RJ Bank's net interest income by 4.07% in the first year after the rate increase. This sensitivity figure is based on positions as of June 30, 2009, and is subject to certain simplifying assumptions, including that management takes no corrective action.

To mitigate interest rate risk in a significantly rising rate environment, RJ Bank purchased three year term interest rate caps with high strike rates (more than 300 basis points higher than current rates) during the year ended September 30, 2008 that will increase in value if interest rates rise, and entitle RJ Bank to cash flows if interest rates rise above strike rates. RJ Bank minimizes the credit or repayment risk of derivative instruments by entering into transactions only with high-quality counterparties whose credit rating is investment grade. See Note 10 of the Notes to the Condensed Consolidated Financial Statements for further information.

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 RJ&A and RJ Ltd. The U.S. broker-dealer activities are primarily 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 30 traders. The average aggregate inventory held for proprietary trading during the nine months ended June 30, 2009 was CDN \$11.0 million. The Company's equity securities inventories are priced on a regular basis and there are no material unrecorded gains or losses.

Foreign Exchange Risk

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments held in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is nominal. As of June 30, 2009, forward contracts outstanding to buy and sell U.S. dollars totaled CDN \$9.0 million and CDN \$19.2 million, respectively.

Credit Risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction and the parties involved. Credit risk is an integral component of the profit assessment of lending and other financing activities.

The Company is engaged in various trading and brokerage activities whose counterparties primarily include broker-dealers, banks and other financial institutions. The Company is exposed to risk that these counterparties may not fulfill their obligations. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. The Company manages this risk by imposing and monitoring individual and aggregate position limits within each business segment for each counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions and conducting business through clearing organizations, which guarantee performance.

The Company's client activities involve the execution, settlement, and financing of various transactions on behalf of its clients. Client activities are transacted on either a cash or margin basis. Credit exposure associated with the Company's Private Client Group results primarily from customer margin accounts, which are monitored daily and are collateralized. When clients execute a purchase, the Company is at some risk that the client will renege on the trade. If this occurs, the Company may have to liquidate the position at a loss. However, most private clients have available funds in the account before the trade is executed. The Company monitors exposure to industry sectors and individual securities and performs analysis on a regular basis in connection with its margin lending activities. The Company adjusts its margin requirements if it believes its risk exposure is not appropriate based on market conditions.

The Company is subject to concentration risk if it holds large positions, extends large loans to, or has large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g. in the same industry). Securities purchased under agreements to resell consist primarily of securities issued by the U.S. government or its agencies. Receivables from and payables to clients and stock borrow and lending activities are conducted with a large number of clients and counterparties and potential concentration is carefully monitored. Inventory and investment positions taken and commitments made, including underwritings, may involve exposure to individual issuers and businesses. The Company seeks to limit this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

The Company is also the lessor in a leveraged commercial aircraft transaction with Continental. The Company's ability to realize its expected return is dependent upon the airline's ability to fulfill its lease obligation. In the event that the airline defaults on its lease commitments and the trustee for the debt holders is unable to re-lease or sell the plane with adequate terms, the Company would suffer a loss of some or all of its investment. Although Continental remains current on its lease payments to the Company, the inability of Continental to make its lease payments, or the termination or modification 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. The Company continues to monitor this lessee for specific events or circumstances that would increase the likelihood of a default on Continental's obligations under this lease.

The valuation of the mortgage backed securities and CMOs held as available for sale securities by RJ Bank is impacted by the credit risk associated with the underlying loans. Underlying loan characteristics associated with this risk are considered in valuing these securities. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information.

RJ Bank manages risks inherent in its lending activities through policies and procedures which incorporate strong lending standards and management oversight. The underwriting policies are described in the section below.

Loan Underwriting Policies

The Company's credit risk is managed through its policies and procedures. There have been no material changes in the Company's underwriting policies during the nine months ended June 30, 2009. For a description of RJ Bank's underwriting policies for both the residential and corporate loan portfolios, refer to the Company's Annual Report on Form 10-K for the year ended September 30, 2008.

Loan Portfolio

The Company tracks and reviews many factors to monitor credit risk in RJ Bank's loan portfolios. These factors include, but are not limited to: loan performance trends, loan product parameters and qualification requirements, geographic and industry concentrations, borrower credit scores, LTV ratios, occupancy (i.e. owner occupied, second home or investment property), collateral value trends, level of documentation, loan purpose, industry performance trends, average loan size, and policy exceptions.

The LTV/FICO scores of RJ Bank's residential first mortgage loan portfolio are as follows:

	June 30, 2009	September 30, 2008
Residential First Mortgage		
Loan Weighted Average		
LTV/FICO (1)	63% / 751	64% / 750

(1) At origination. Small group of local loans representing less than 0.5% of residential portfolio excluded.

The geographic concentrations (top five states) of RJ Bank's one-to-four family residential mortgage loans are as follows:

	June 30, 2009	September 30, 2008 (1)
(\$ outstanding as a % of RJ Bank total assets)		
	6.4% CA	5.2% CA
	4.5% NY	3.3% NY
	3.4% FL	3.0% FL
	2.0% NJ	2.1% NJ
	1.4% VA	1.3% VA

(1) Concentration ratios are presented as a percentage of adjusted RJ Bank total assets of \$9.4 billion. Adjusted RJ Bank total assets (non-GAAP) at September 30, 2008 exclude the assets associated with the \$1.9 billion FHLB advance repaid on October 1, 2008 and the \$60 million return of capital to RJF on October 2, 2008.

The industry concentrations (top five categories) of RJ Bank's corporate loans are as follows:

June 30, 2009		September 30, 2008 (1)	
(\$ outstanding as a % of RJ Bank total assets)			
3.9%	Consumer Products/Services	3.3%	Telecom
3.7%	Healthcare (excluding hospitals)	3.2%	Retail Real Estate
3.6%	Industrial Manufacturing	3.2%	Consumer Products/Services
3.5%	Retail Real Estate	3.1%	Industrial Manufacturing
3.4%	Hospitality	3.0%	Healthcare (excluding hospitals)

(1) Concentration ratios are presented as a percentage of adjusted RJ Bank total assets of \$9.4 billion. Adjusted RJ Bank total assets (non-GAAP) at September 30, 2008 exclude the assets associated with the \$1.9 billion FHLB advance repaid on October 1, 2008 and the \$60 million return of capital to RJF on October 2, 2008.

To manage and limit credit losses, the Company maintains a rigorous process to manage its loan delinquencies. With all whole loans purchased on a servicing-retained basis and all originated first mortgages serviced by a third party, the primary collection effort resides with the servicer. RJ Bank personnel direct and actively monitor the servicers' efforts through extensive communications regarding individual loan status changes and requirements of timely and appropriate collection or property management actions and reporting, including management of other third parties used in the collection process (appraisers, attorneys, etc.). Additionally, every residential and consumer loan over 60 days past due is reviewed by RJ Bank personnel monthly and documented in a written report detailing delinquency information, balances, collection status, appraised value, and other data points. RJ Bank senior management meets monthly to discuss the status, collection strategy and charge-off/write-down recommendations on every residential or consumer loan over 60 days past due.

See Note 6 of the Notes to the Condensed Consolidated Financial Statements for more information.

Liquidity Risk

See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources," in this report for more information regarding the Company's liquidity and how it manages its liquidity risk.

Item 4. CONTROLS AND PROCEDURES

DISCLOSURE 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.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2009 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

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

In June 2009, a purported class action, *Woodard vs. Raymond James Financial, Inc., et al.*, was filed in the United States District Court for the Southern District of New York. The case names as defendants the Company, the Chief Executive Officer, and Chief Financial Officer. The complaint, brought on behalf of purchasers of the Company's common stock for the period between and including April 22, 2008 and April 14, 2009, alleges that various financial statements and press releases issued by the Company contained material misstatements and omissions relating to the loan losses at Raymond James Bank, FSB. The complaint seeks class action status, compensatory damages and costs and disbursements, including attorneys' fees.

Raymond James Yatyrym Menkul Kyymetler A. S., ("RJ MKY"), the Company's Turkish affiliate, was assessed for the year 2001 approximately \$6.8 million by the Turkish tax authorities. The authorities applied a significantly different methodology than in the prior year's audit which the Turkish tax court and Council of State affirmed. The Turkish tax authorities, utilizing the 2001 methodology, assessed RJ MKY \$5.7 million for 2002. On October 24, 2008, RJ MKY was notified by the Capital Markets Board of Turkey that the technical capital inadequacy resulting from RJ MKY's provision for this case required an additional capital contribution, and as a result, RJ MKY halted all trading activities. On December 5, 2008 RJ MKY ceased operations and subsequently filed for protection under Turkish bankruptcy laws. The Company has recorded a provision for loss in its condensed consolidated financial statements for its full equity interest in this joint venture. As of June 30, 2009, RJ MKY had total capital of approximately \$2.6 million, of which the Company owns approximately 50%.

Sirchie Acquisition Company ("SAC"), an 80% owned indirect unconsolidated subsidiary acquired as a merchant banking investment, has been advised by the Commerce and Justice Departments that they intend to seek civil and criminal sanctions against it, as the purported successor in interest to Sirchie Finger Print Laboratories, Inc. ("Sirchie"), based upon alleged breaches of Department of Commerce suspension orders by Sirchie and its former majority shareholder that occurred prior to the acquisition. Discussions are ongoing and the impact, if any, on the value of this investment is indeterminate at this time.

In connection with auction rate securities ("ARS"), the Company's principal broker-dealers, RJ&A and RJFS, have been subject to ongoing investigations, with which they are cooperating fully, by the Securities and Exchange Commission ("SEC"), the New York Attorney General's Office and Florida's Office of Financial Regulation. The Company is also named in a class action lawsuit, *Defer LP vs. Raymond James Financial, Inc., et al.*, filed in April, 2008 in the United States District Court for the Southern District of New York, similar to that filed against a number of brokerage firms alleging various securities law violations relating to the adequacy of disclosure in connection with the marketing and sale of ARS, which it is vigorously defending. The complaint seeks class action status, compensatory damages and costs and disbursements, including attorneys' fees. The Company announced in April 2008 that customers held approximately \$1.9 billion of ARS, which as of June 30, 2009, had declined to approximately \$832.5 million due to the redemption and refinancing of such securities by the issuers of the ARS. Additional information regarding ARS can be found at http://www.raymondjames.com/auction_rate_preferred.htm. The information on the Company's Internet site is not incorporated by reference.

Several large banks and brokerage firms, most of whom were the primary underwriters of and supported the auctions for ARS, have announced agreements, usually as part of a regulatory settlement, to repurchase ARS at par from some of their clients. Other brokerage firms have entered into similar agreements. The Company, in conjunction with other industry participants is actively seeking a solution to ARS' illiquidity. This includes issuers restructuring and refinancing the ARS, which has met with some success. Should these restructurings and refinancings continue, then clients' holdings could be reduced further; however, there can be no assurance these events will continue. If the Company were to consider resolving pending claims, inquiries or investigations by offering to repurchase all or a significant portion of these ARS from certain clients, it would have to have sufficient regulatory capital and cash or borrowing power to do so, and at present it does not have such capacity. Further, if such repurchases were made at par value there could be a market loss if the underlying securities' value is less than par and any such loss could adversely affect the results of operations.

The Company is a defendant or co-defendant in various lawsuits and arbitrations incidental to its securities business. The Company is contesting the allegations in these 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

There were no changes to Item 1A, "Risk Factors", included in the Company's Annual Report on Form 10-K for the year ended September 30, 2008.

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

Reference is made to information contained under "Capital Transactions" in Note 13 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 and dividend covenants in the RJF revolving 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, FINRA and the IIROC; and RJ Bank, 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 15 of the Notes to the Condensed Consolidated Financial Statements for more information on the capital restrictions placed on RJ Bank and the Company's broker-dealer subsidiaries).

Item 5. OTHER INFORMATION

Entry into a Material Definitive Agreement

On August 10, 2009, RJF entered into a senior indenture (the "Senior Indenture") with the Bank of New York Mellon Trust Company, N.A., as trustee, for the future issuance of senior notes pursuant to the Company's existing shelf registration statement on Form S-3 (File No. 333-159583). As of the date hereof, no senior notes have been issued under the Senior Indenture.

Item 6. EXHIBITS

- 4.1 Description of Capital Stock, filed herewith.
- 4.2 Indenture, dated as of August 10, 2009 (for senior debt securities) between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., 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).
- 12.1 Statement of Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends, filed herewith.
- 25.1 Statement of Eligibility of The Bank of New York Mellon Trust Company, N.A., filed herewith.
- 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.

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.

RAYMOND JAMES FINANCIAL, INC.
(Registrant)

Date: August 10, 2009

/s/ Thomas A. James
Thomas A. James
Chairman and Chief
Executive Officer

/s/ Jeffrey P. Julien
Jeffrey P. Julien
Senior Vice President - Finance
and Chief Financial
Officer

EXHIBIT 4.1

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of Raymond James Financial, Inc. ("RJF") consists of 350,000,000 shares of Common Stock, par value \$.01 per share, and 10,000,000 shares of Preferred Stock, par value \$0.10 per share.

Common Stock

There were 126,695,580 shares of Common Stock of RJF outstanding as of June 30, 2009. Holders of the Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of Common Stock are not entitled to cumulate votes for the election of directors. Holders of Common Stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors out of funds legally available therefor, after payment of dividends required to be paid on outstanding Preferred Stock, if any. In the event of the liquidation, dissolution or winding up of RJF, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of any Preferred Stock then outstanding. The Common Stock has no preemptive or conversion rights and is not subject to further calls or assessments by RJF. The Common Stock currently outstanding is validly issued, fully paid and non-assessable. The Restated Articles of Incorporation of RJF provide that the affirmative vote of the holders of 66-2/3% of the outstanding shares of Common Stock is required to effect any merger, consolidation or sale of all or substantially all of its assets.

Preferred Stock

There are no preferred shares of RJF currently outstanding. The designations and preferences of any series of Preferred Stock which may be issued shall be determined by RJF's Board of Directors.

Reports to Stockholders

RJF furnishes stockholders with annual reports that contain audited financial statements of the Company and quarterly reports containing unaudited financial information for each of the first three quarters in each fiscal year.

Transfer Agent and Registrar

Mellon Investor Services, Pittsburgh, PA, is transfer agent and registrar for RJF's Common Stock.

RAYMOND JAMES FINANCIAL, INC.,

as Issuer

and

The Bank of New York Mellon Trust Company, N.A.,

as Trustee

INDENTURE

Dated as of August 10, 2009

Senior Debt Securities

CROSS-REFERENCE SHEET*

Between

Provisions of Sections 310 through 318 of the Trust Indenture Act of 1939, as amended, and the within Indenture between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., Trustee:

SECTION OF ACT

SECTION OF INDENTURE

310(a)(1) and (2)	7.09
310(a)(3) and (4)	Not applicable
310(b)	7.08 and 7.10
310(c)	Not applicable
311(a) and (b)	7.13
311(c)	Not applicable
312(a)	5.01 and 5.02(a)
312(b) and (c)	5.02(b) and (c)
313(a)	5.04(a)
313(b)(1)	Not applicable
313(b)(2)	5.04(b)
313(c)	5.04(c)
313(d)	5.04(d)
314(a)	5.03
314(b)	Not applicable
314(c)(1) and (2)	14.04
314(c)(3)	Not applicable
314(d)	Not applicable
314(e)	15.05
314(f)	Not applicable
315(a), (c) and (d)	7.01
315(b)	7.14
315(e)	6.14
316(a)(1)	6.12
316(a)(2)	Omitted
316(a) last sentence	8.04
316(b)	6.08
317(a)	6.03 and 6.04
317(b)	4.03(a)
318(a)	15.07

*This Cross-Reference Sheet is not part of the Indenture.

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THIS INDENTURE, dated as of August 10, 2009 between Raymond James Financial, Inc., a corporation duly organized and existing under the laws of the State of Florida (hereinafter called the "Company"), and The Bank of New York Mellon Trust Company, N.A. (hereinafter sometimes called the "Trustee", which term shall include any successor trustee appointed pursuant to Article 7 of this Indenture).

W I T N E S S E T H:

WHEREAS, the Company deems it necessary to issue from time to time for its lawful purposes securities (hereinafter called the "Securities") evidencing its unsecured indebtedness and has duly authorized the execution and delivery of this Indenture to provide for the issuance of the Securities in one or more series, unlimited as to principal amount, to bear such rates of interest, to mature at such time or times, and to have such other provisions as shall be fixed as hereinafter provided; and

WHEREAS, the Company represents that all acts and things necessary to constitute these presents a valid indenture and agreement according to its terms have been done and performed, and the execution of this Indenture has in all respects been duly authorized, and the Company, in the exercise of legal right and power in it vested, is executing this Indenture;

NOW, THEREFORE:

In order to declare the terms and conditions upon which the Securities are authenticated, issued and received, and in consideration of the premises, of the purchase and acceptance of the Securities by the holders thereof and of the sum of One Dollar to it duly paid by the Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective holders from time to time of the Securities, as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.01. Definitions.

The terms defined in this Section (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. All other terms used in this Indenture that are defined in the Trust Indenture Act of 1939 or that are by reference therein defined in the Securities Act of 1933 shall have the meanings (except as herein otherwise expressly provided or unless the context otherwise requires) assigned to such terms in said Trust Indenture Act of 1939 and in said Securities Act as in force at the date of this Indenture as originally executed. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" means such accounting principles as are generally accepted at the time of any computation. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

Additional Amounts:

The term "Additional Amounts" shall mean any additional amounts to be paid by the Company in respect of Securities of a series, as may be specified pursuant to Section 2.03(b) hereof and in such Security and under the circumstances specified therein, in respect of specified taxes, assessments or other governmental charges imposed on certain holders who are United States Aliens, and which may be owing to such holders as set forth in Section 4.08 hereof.

Agreement Accounting Principles:

The term "Agreement Accounting Principles" shall mean generally accepted accounting principles as in effect from time to time, applied in a manner consistent with those used in preparing the Company's financial statements.

Authorized Newspaper:

The term "Authorized Newspaper" shall mean a newspaper (which, in the case of the United Kingdom, will, if practicable, be the Financial Times (London Edition) and, in the case of Luxembourg, will, if practicable, be the Luxemburger Wort) of general circulation in the place of publication, published in an official language of the country of publication and customarily published at least once a day for at least five days in each calendar week. Whenever successive weekly publications in an Authorized Newspaper are authorized or required hereunder, they may be made (unless otherwise provided herein) on the same or different days of the week and in the same or different Authorized Newspapers. If it shall be impractical in the opinion of the Trustee to make any publication of any notice required hereby in an Authorized Newspaper, any publication or other notice in lieu thereof which is made or given with the approval of the Trustee shall constitute a sufficient publication of such notice.

Bearer Security:

The term "Bearer Security" shall mean any Security established pursuant to Section 2.01 and Section 2.03(b) hereof which is payable to bearer (including without limitation any Security in temporary or permanent global bearer form) and title to which passes by delivery only, but does not include any coupons.

Board of Directors:

The term "Board of Directors" or "Board" shall mean the Board of Directors of the Company or any duly authorized committee of such Board.

Board Resolution:

The term "Board Resolution" shall mean a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors or by a committee acting under authority of or appointment by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

Business Day:

The term "business day" shall mean, unless otherwise specified pursuant to Section 2.03(b), with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, a day that in the city (or in any one of the cities, if more than one) in which amounts are payable, as specified in the form of such Security, is not a day on which banking institutions are authorized or required by law or regulation to be closed.

Capital Stock:

The term "Capital Stock" shall mean, as to shares of a particular corporation, outstanding shares of stock of any class, whether now or hereafter authorized, irrespective of whether such class shall be limited to a fixed sum or percentage in respect of the rights of the holders thereof to participate in dividends and in the distribution of assets upon the voluntary liquidation, dissolution or winding up of such corporation.

Clearstream, Luxembourg:

The term "Clearstream, Luxembourg" shall mean Clearstream Banking, société anonyme, Luxembourg, or any successor thereof.

Common Depositary:

The term "Common Depositary" shall have the meaning set forth in Section 2.08 hereof.

Commission:

The term "Commission" shall mean the Securities and Exchange Commission or any successor entity.

Company:

The term "Company" shall mean the person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

Company Request, Company Order and Company Consent:

The terms "Company Request," "Company Order" and "Company Consent" mean, respectively, a written request, order or consent signed in the name of the Company by its Chairman of the Board, Chief Executive Officer, President, Chief Financial Officer, Vice President, General Counsel, Deputy or Associate General Counsel or Treasurer and delivered to the Trustee.

Coupon:

The term "coupon" shall mean any interest coupon appertaining to a Bearer Security.

Credit Agreement:

The term "Credit Agreement" shall mean the \$100,000,000 Credit Agreement, dated as of February 6, 2009, among the Company, as borrower, the lenders name therein, JPMorgan Chase Bank, National Association, as administrative agent, Regions Bank, as co-syndication agent, Fifth Third Bank, as co-syndication agent and PNC Bank, National Association, as co-syndication agent, as amended from time to time.

Default:

The term "Default" or "default" shall have the meaning specified in Article 6.

Dollar or \$:

The term "Dollar" or "\$" shall mean a dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

Euroclear:

The term "Euroclear" shall mean Morgan Guaranty Trust Company of New York, Brussels office, or any successor thereof, as the operator of the Euroclear System.

Euro Security:

The term "Euro Security" shall mean any Bearer Security, any Security initially represented by a Security in temporary global form exchangeable for Bearer Securities and any Security in permanent global form exchangeable for Bearer Securities.

Event of Default:

The term "Event of Default" shall have the meaning specified in Article 6.

Exchange Act:

The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

Exchange Date:

The term "Exchange Date" shall have the meaning set forth in Section 2.08 .

Holder:

The terms "holder," "holder of Securities," "securityholder" or other similar term shall mean (a) in the case of any Registered Security, the person in whose name such Security is registered in the Security Register kept by the Company for that purpose, in accordance with the terms hereof, and (b) in the case of any Bearer Security, the bearer thereof, and as used with respect to any coupon appertaining to any Bearer Security, the term "holder" shall mean the bearer thereof.

Indenture:

The term "Indenture" shall mean this instrument as originally executed and delivered or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including without limitation, the forms and terms of particular series of Securities established as contemplated by Article 2.

Officers' Certificate:

The term "Officers' Certificate" shall mean a certificate signed by the Chairman of the Board, the Chief Executive Officer, President, Chief Financial Officer, Vice President, General Counsel, Deputy or Assistant General Counsel or Treasurer of the Company and delivered to the Trustee.

Opinion of Counsel:

The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company and who shall be satisfactory to the Trustee, or who may be other counsel satisfactory to the Trustee.

Original Issue Discount Securities:

The term "Original Issue Discount Securities" shall mean any Securities which are initially sold at a discount from the principal amount thereof and which provide upon an Event of Default for declaration of an amount less than the principal amount thereof to be due and payable upon acceleration thereof.

Outstanding:

The term "Outstanding" or "outstanding," when used with reference to Securities, shall, subject to the provisions of Section 7.08, Section 8.01 and Section 8.04, mean, as of any particular time, all Securities authenticated and delivered by the Trustee under this Indenture, except:

Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated and held in trust by the Company (if the Company shall act as its own paying agent) for the holders of such Securities and any coupons appertaining thereto; provided, that if such Securities, or portions thereof, are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article 3, or provision satisfactory to the Trustee shall have been made for giving such notice;

Securities that have been defeased pursuant to Section 14.02 hereof; and

Securities that have been paid pursuant to Section 2.09, or Securities in exchange for, in lieu of and in substitution for which other Securities shall have been authenticated and delivered pursuant to the terms of Section 2.07, unless proof satisfactory to the Trustee is presented that any such Securities are held by bona fide holders in due course.

Periodic Offering:

The term "Periodic Offering" shall mean an offering of Securities of a series, from time to time, the specific terms of which (including, without limitation, the rate or rates of interest or formula for determining the rate or rates of interest thereon, if any, the maturity date or dates thereof and the redemption provisions, if any, with respect thereto) are to be determined by the Company upon the issuance of such Securities.

Person:

The term "Person" or "person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Place of Payment:

The term "Place of Payment," when used with respect to the Securities of any series, means the place or places where, subject to the provisions of Section 4.02, the principal of (and premium, if any, on) and any interest on the Securities of that series are payable as specified as contemplated by Section 2.03(b).

Possessions:

The term “possessions,” when used with respect to the United States, shall include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands.

Principal Subsidiary:

The term “Principal Subsidiary” shall mean any Subsidiary the total assets of which as set forth in the most recent statement of financial condition of such Subsidiary equal more than 10% of the total consolidated assets of the Company and its subsidiaries as determined from the most recent consolidated statement of financial condition of the Company and its subsidiaries.

Record Date:

The term “record date” as used with respect to any interest payment date shall have the meaning specified in Section 2.05.

Registered Security:

The term “Registered Security” shall mean any Security established pursuant to Section 2.01 and Section 2.03(b) which is registered on the Security Register of the Company.

Responsible Officer:

The term “Responsible Officer,” when used with respect to the Trustee, shall mean any officer within the Corporate Trust Office of the Trustee (or any successor group of the Trustee), including any Vice President, Assistant Vice President, Assistant Secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also shall mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

Securities:

The term “Securities” shall have the meaning set forth in the preamble of this Indenture.

Securities Act:

The term “Securities Act” shall mean the Securities Act of 1933, as amended.

Security Register and Security Registrar:

The terms “Security Register” and “Security Registrar” shall have the respective meanings set forth in Section 2.07(a) hereof.

Subsidiary:

The term “Subsidiary” shall mean any subsidiary of the Company which is an entity organized and doing business under any State or Federal law.

Trust Indenture Act of 1939:

Except as otherwise provided in this Indenture, the term “Trust Indenture Act of 1939” shall mean the Trust Indenture Act of 1939, as amended, as in force at the date of this Indenture as originally executed.

Trustee:

The term “Trustee” shall mean the person identified as “Trustee” in the first paragraph hereof until the acceptance of appointment of a successor trustee pursuant to the provisions of Article 7, and thereafter shall mean such successor trustee.

United States Alien:

The term “United States Alien” shall mean any person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership to the extent that one or more of its members is, for United States Federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

U.S. Depositary:

The term “U.S. Depositary” shall mean, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more permanent global Securities, the person designated as U.S. Depositary by the Company pursuant to Section 2.03(b), which must be a clearing agency registered under the Exchange Act, until a successor U.S. Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “U.S. Depositary” shall mean or include each person who is then a U.S. Depositary hereunder, and if at any time there is more than one such person, “U.S. Depositary” as used with respect to the Securities of any series shall mean the U.S. Depositary with respect to the Securities of such series.

Vice President:

The term “Vice President” when used with respect to the Company or the Trustee shall mean any vice president, whether or not designated by a number or word or words added before or after the title “vice president,” including any Executive or Senior Vice President.

Wholly-Owned Subsidiary:

“Wholly-Owned Subsidiary” of a Person means (a) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (b) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

ARTICLE 2

ISSUE, EXECUTION, REGISTRATION AND EXCHANGE OF SECURITIES

SECTION 2.01. Amount Unlimited; Issuable in Series.

Upon the execution of this Indenture, or from time to time thereafter, Securities up to the aggregate principal amount and containing terms and conditions from time to time authorized by or pursuant to a Board Resolution, or in an indenture supplemental hereto, as set forth in Section 2.03, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and make available for delivery said Securities to or upon Company Order, without any further action by the Company but subject to the provisions of Section 2.03, or in an indenture supplemental hereto, as set forth in Section 2.03.

The Securities may be issued in one or more series. The aggregate principal amount of Securities of all series that may be authenticated and delivered and outstanding under this Indenture is not limited. The Securities of a particular series may be issued up to the aggregate principal amount of Securities for such series from time to time authorized by or pursuant to a Board Resolution.

SECTION 2.02. Form of Trustee’s Certificate of Authentication.

The Trustee’s certificate of authentication shall be in substantially the following form:

[Form of Trustee’s Certificate of Authentication]

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: _____

The Bank of New York Mellon Trust Company, N.A., as Trustee

By:

Authorized Signatory

SECTION 2.03. Form of Securities Generally; Establishment of Terms of Series.

(a) The Registered Securities, if any, of each series, the Bearer Securities, if any, of each series and related coupons, if any, the temporary global Securities of each series, if any, and the permanent global Securities of each series, if any, shall be in the forms established from time to time in or pursuant to one or more Board Resolutions (and, to the extent established pursuant to rather than set forth in one or more Board Resolutions, in an Officers’ Certificate (to which shall be attached true and correct copies of the relevant Board Resolution(s)) detailing such establishment) or established in an indenture supplemental hereto.

The Securities may be issued in typewritten, printed or engraved form with such letters, numbers or other marks of identification or designation (including “CUSIP” numbers, if then generally in use) and such legends or endorsements printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Securities may be listed, or to conform to usage. Unless otherwise specified as contemplated hereinafter, Securities in bearer form shall have interest coupons attached.

(b) At or prior to the initial issuance of Securities of any series, the particular terms of Securities of such series shall be established in or pursuant to one or more Board Resolutions (and to the extent established pursuant to rather than set forth in one or more Board Resolutions, in an Officers’ Certificate (to which shall be attached true and correct copies of the relevant Board Resolutions(s)) detailing such establishment) or established in an indenture supplemental hereto, including the following:

(1) the designation of the particular series (which shall distinguish such series from all other series);

(2) the aggregate principal amount of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to this Indenture and except for any Securities which, pursuant to Section 2.06, are deemed never to have been authenticated and delivered hereunder);

(3) whether Securities of the series are to be issuable as Registered Securities, Bearer Securities (with or without coupons) or both, whether any Securities of the series are to be issuable initially in temporary global form with or without coupons and, if so, the name of the Common Depositary with respect to any such temporary global Security, and whether any Securities of the series are to be issuable in permanent global form with or without coupons and, if so, whether beneficial owners of interests in any such permanent global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 2.06 and the name of the Common Depositary or the U.S. Depositary with respect to any such permanent global Security;

(4) the date as of which any Bearer Securities of such series and any temporary Security in global form representing Outstanding Securities of such series shall be dated, if other than the date of original issuance of the first Securities of the series to be issued;

(5) the person to whom any interest on any Registered Security of the series shall be payable, if other than the

person in whose name that Security (or one or more predecessor Securities) is registered at the close of business on the regular record date for such interest, the manner in which, or the person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the coupons appertaining thereto as they severally mature, the extent to which, or the manner in which, any interest payable on a temporary global Security on an interest payment date will be paid if other than in the manner provided in Section 2.08 and the extent to which, or the manner in which, any interest payable on a permanent global Security on an interest payment date will be paid;

(6) the date or dates on which the principal of the Securities of such series is payable;

(7) the rate or rates, and if applicable the method used to determine the rate, at which the Securities of such series shall bear interest, if any, the date or dates from which such interest shall accrue, the date or dates on which such interest shall be payable and the record date or dates for the interest payable on any Registered Securities on any interest payment date;

(8) the place or places at which, subject to the provisions of Section 4.02, the principal of (and premium, if any, on) and any interest on Securities of such series shall be payable, any Registered Securities of the series may be surrendered for registration of transfer, Securities of the series may be surrendered for exchange and notices and demands to or upon the Company in respect of the Securities of the series and this Indenture may be served;

(9) the obligation, if any, of the Company to redeem or purchase Securities of such series, at the option of the Company or at the option of a holder thereof, pursuant to any sinking fund or other redemption provisions and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series may be so redeemed or purchased, in whole or in part;

(10) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which any Registered Securities of such series shall be issuable, and the denomination or denominations in which any Bearer Securities of the series shall be issuable, if other than the denomination of \$5,000;

(11) if other than the principal amount thereof, the portion of the principal amount of Securities of such series which shall be payable upon declaration of acceleration of the maturity thereof;

(12) the currency, currencies or currency units in which payment of the principal of (and premium, if any, on) and any interest on any Securities of the series shall be payable if other than the currency of the United States of America and the manner of determining the equivalent thereof in the currency of the United States of America for purposes of the definition of "Outstanding" in Section 1.01;

(13) if the principal of (and premium, if any, on) or any interest on the Securities of the series are to be payable, at the election of the Company or a holder thereof, in one or more currencies or currency units, other than that or those in which the Securities are stated to be payable, the currency or currencies in which payment of the principal of (and premium, if any, on) and any interest on Securities of such series as to which such election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made;

(14) if the amount of payments of principal of (and premium, if any, on) or any interest on the Securities of the series may be determined with reference to an index, the manner in which such amounts shall be determined;

(15) whether the Securities will be issued in book-entry only form;

(16) any interest rate calculation agents, exchange rate calculation agents or other agents with respect to Securities of such series;

(17) if either or both of Sections 14.02 and 14.03 do not apply to the Securities of the series;

(18) whether and under what circumstances the Company will pay Additional Amounts in respect of any series of Securities and whether the Company has the option to redeem such Securities rather than pay such Additional Amounts;

(19) any provisions relating to the extension of maturity of, or the renewal of, Securities of such series, or the conversion of Securities of such series into other securities of the Company;

(20) any provisions relating to the purchase or redemption of all or any portion of a tranche or series of Securities, including the period of notice required to redeem those Securities; and

(21) any other terms of the Securities or provisions relating to the payment of principal, premium (if any) or interest thereon, including, but not limited to, whether such Securities are issuable at a discount or premium, as amortizable Securities, and if payable in, convertible or exchangeable for commodities or for the securities of the Company or any third party.

All Securities of any one series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to the Board Resolution or Officers' Certificate referred to above or as set forth in an indenture supplemental hereto, and, unless otherwise provided, the authorized principal amount of any series may be increased to provide for issuances of additional Securities of such series. If so provided by or pursuant to the Board Resolution or Officers' Certificate or supplemental indenture referred to above, the terms of such Securities to be issued from time to time may be determined as set forth in such Board Resolution, Officers' Certificate or supplemental indenture, as the case may be. All Securities of any one series shall be substantially identical except as to denomination, interest rate, maturity and other similar terms and except as may be provided otherwise by or pursuant to such Board Resolution, Officers' Certificate or supplemental indenture.

SECTION 2.04. Securities in Global Form.

If Securities of a series are issuable in global form, as specified as contemplated by Section 2.03(b), then, notwithstanding clause (10) of Section 2.03(b) and the provisions of Section 2.05, any such Security in global form shall represent such of the Securities of such series Outstanding as shall be specified therein, and any such Security in global form may provide that it shall represent the aggregate amount of Securities Outstanding from time to time endorsed thereon and that the aggregate amount of Securities Outstanding represented thereby may from time to time be reduced to reflect any exchanges of beneficial interests in such Security in global form for Securities of such series as contemplated herein. Any endorsement of a Security in global form to reflect the amount, or any decrease in the amount, of Securities Outstanding represented thereby shall be made by the Trustee or the Security Registrar in such manner and upon instructions given by such person or persons as shall be specified in such Security in global form or in the Company Order to be delivered to the Trustee pursuant to Section 2.06 or Section 2.08. Subject to the provisions of Section 2.06 and, if applicable, Section 2.08, the Trustee or the Security Registrar shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the person or persons specified in such Security in global form or in the applicable Company Order. If a Company Order pursuant to Section 2.06 or 2.08 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not be represented by a Company Order and need not be accompanied by an Opinion of Counsel.

The provisions of the last sentence of Section 2.06 shall apply to any Security represented by a Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Trustee or the Security Registrar the Security in global form together with written instructions (which need not be represented by a Company Order and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of Section 2.06.

Notwithstanding the provisions of Section 2.05, unless otherwise specified as contemplated by Section 2.03(b), payment of principal of and any premium and interest on any Security in permanent global form shall be made to the persons or persons specified therein.

SECTION 2.05. Denominations; Record Date; Payment of Interest.

(a) Unless otherwise provided as contemplated by Section 2.03(b) with respect to any series of Securities, any Registered Securities of a series shall be issuable without coupons in denominations of \$1,000 and any Bearer Securities of a series shall be issuable, with interest coupons attached, in the denomination of \$5,000.

(b) The term “record date” as used with respect to an interest payment date for any series of a Registered Security shall mean such day or days as shall be specified as contemplated by Section 2.03(b); provided, however, that in the absence of any such provisions with respect to any series, such term shall mean (1) the last day of the calendar month next preceding such interest payment date if such interest payment date is the 15th day of a calendar month; or (2) the 15th day of a calendar month next preceding such interest payment date if such interest payment date is the first day of the calendar month.

Unless otherwise provided as contemplated by Section 2.03(b) with respect to any series of Securities, the person in whose name any Registered Security is registered at the close of business on the record date with respect to an interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Security upon any registration of transfer or exchange thereof subsequent to such record date and prior to such interest payment date; provided, however, that if and to the extent the Company shall default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names the Securities are registered on a subsequent record date established by notice given to the extent and in the manner set forth in Section 15.04 by or on behalf of the Company to the holders of Securities of the series in default not less than 15 days preceding such subsequent record date, such record date to be not less than five days preceding the date of payment of such defaulted interest, or in any other lawful manner acceptable to the Trustee.

(c) Unless otherwise specified by Board Resolution or Company Order for a particular series of Securities, the principal of, redemption premium, if any, on and interest, if any, on the Securities of any series shall be payable at the office or agency of the Company maintained pursuant to Section 4.02 in a Place of Payment for such series, in New York Clearing House funds; provided, however, that, at the option of the Company, payment of interest with respect to a Registered Security may be paid by check mailed to the holders of the Registered Securities entitled thereto at their last addresses as they appear on the Security Register.

SECTION 2.06. Execution, Authentication, Delivery and Dating of Securities.

The Securities shall be signed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents under its corporate seal and attested by its Secretary or one of its Assistant Secretaries. Such signatures may be the manual or facsimile signatures of such then current officers.

The seal of the Company may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Securities. Coupons shall bear the facsimile signature of the Secretary or one of the Assistant Secretaries of the Company or such other officer of the Company as may be specified pursuant to Section 2.03(b). Any Security or coupon may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Security, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such officer. Securities and coupons bearing the manual or facsimile signatures of individuals who were, at the actual date of the execution of such Security or coupon, the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities, or the delivery of such coupons, as the case may be, or did not hold such offices at the date of such Securities.

Upon the execution and delivery of this Indenture, the Company shall deliver to the Trustee an Officers' Certificate as to the incumbency and specimen signatures of officers authorized to execute and deliver the Securities and coupons and give instructions under this Section and, as long as Securities are Outstanding under this Indenture, shall deliver a similar Officers' Certificate each year on the anniversary of the date of the first such Officers' Certificate. The Trustee may conclusively rely on the documents delivered pursuant to this Section (unless revoked by superseding comparable documents) and Section 2.03 hereof as to the authorization of the Board of Directors of any Securities delivered hereunder, and the form and terms thereof, and as to the authority of the instructing officers referred to in this Section so to act.

The Trustee shall at any time, and from time to time, authenticate Securities for original issue in an unlimited aggregate principal amount upon receipt by the Trustee of a Company Order; provided, however, that with respect to Securities of a series subject to a Periodic Offering, (a) such Company Order may be delivered to the Trustee prior to the delivery to the Trustee of such Securities for authentication and delivery, (b) the Trustee shall authenticate and

deliver Securities of such series for original issue from time to time, in an aggregate principal amount not exceeding the aggregate principal amount, if any, established for such series, pursuant to a Company Order or pursuant to such procedures acceptable to the Trustee as may be specified from time to time by a Company Order, (c) the maturity date or dates, original issue date or dates, interest rate or rates and any other terms of Securities of such series shall be determined by Company Order or pursuant to such procedures, and (d) if provided for in such procedures, such Company Order may authorize authentication and delivery pursuant to oral or electronic instructions from the Company or its duly authorized agent or agents, which oral instructions shall be promptly confirmed in writing; and provided further, however, that definitive Euro Securities may only be delivered at an office or agency outside the United States and its possessions in exchange for a portion of a Euro Security in temporary global form of equal aggregate principal amount and series and only if (x) prior to such delivery, the owner of such Euro Security or a financial institution or clearing organization through which the owner holds such Euro Security, directly or indirectly, shall have furnished a certificate in the form set forth in Exhibit A.1 to this Indenture, dated no earlier than 15 days prior to the date on which Euroclear or Clearstream, Luxembourg, as the case may be, furnishes to the Common Depositary, in accordance with the procedures established in Section 2.08, a certificate in the form set forth in Exhibit A.2 to this Indenture that relates to all or such portion of such temporary global Security, and (y) the person to whom such certificate is provided does not know or have reason to know that the information contained in such certificate is false. If any Euro Security initially represented by a portion of a temporary global Security is exchanged for a portion of a permanent global Security in equal aggregate principal amount and series, then, for purposes of this Section and Section 2.08, the notation of a beneficial owner's interest therein upon exchange shall be deemed to be delivery of definitive Euro Securities representing such beneficial owner's interest. Except as permitted by Section 2.09, the Trustee shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled.

Prior to the issuance of a Security of any new series and any related coupons, and the authentication thereof by the Trustee, the Trustee shall have received and (subject to Section 7.02) shall be fully protected in relying on:

(i) The Board Resolution or Officers' Certificate or indenture supplemental hereto establishing the terms and the form of the Securities of that series pursuant to Sections 2.01 and 2.03;

(ii) An Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the authentication and delivery of Securities in such form have been complied with;

(iii) An Opinion of Counsel stating that: (1) the form and terms of such Securities and coupons, if any, have been established by or pursuant to a Board Resolution in conformity with the provisions of this Indenture; (2) Securities in such form, when completed by appropriate insertions and executed and delivered by the Company to the Trustee for authentication in accordance with this Indenture, authenticated and delivered by the Trustee in accordance with this Indenture, and sold in the manner specified in such Opinion of Counsel, will be valid and legally binding obligations of the Company and enforceable in accordance with their terms, subject to applicable bankruptcy, reorganization, fraudulent conveyance, insolvency, moratorium and other similar laws affecting the rights of creditors now or hereafter in effect, and to equitable principles that may limit the right to specific enforcement of remedies, and further subject to the application of principles of public policy; (3) all laws and requirements in respect of the execution and delivery by the Company of the Securities and coupons, if any, have been complied with and that authentication and delivery of the Securities by the Trustee will not violate the terms of the Indenture; and (4) such other matters as the Trustee may reasonably request; provided, however, that with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication of Securities of such series and that the opinions described in clauses (1) and (2) above may state, respectively, (x) that when certain terms of such Securities and coupons, if any, have been established pursuant to a Board Resolution, Officers' Certificate or an indenture supplemental hereto pursuant to Section 2.03(b) hereof, and when such other terms as are to be established pursuant to procedures set forth in a Company Order shall have been established, all such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Indenture; and (y) that Securities in such Series, when (A) executed by the Company, (B) completed, authenticated and delivered by the Trustee in accordance with this Indenture, (C) issued and delivered by the Company and (D) paid for, all as contemplated by and in accordance with the Company Order or specified procedures, as the case may be, will have been duly issued under this Indenture and will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, reorganization, fraudulent conveyance, insolvency, moratorium and other similar laws affecting the rights of creditors now or hereafter in effect, and to equitable principles that may limit the right to specific enforcement of remedies and further subject to the application of principles of public policy.

With respect to Securities of a series offered in a Periodic Offering, the Trustee may rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and of any coupons and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and other documents delivered pursuant to this Section in connection with the first authentication of Securities of such series unless and until such Opinion of Counsel or other documents have been superseded or revoked. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any rules, regulations or orders of any governmental agency or commission having jurisdiction over the Company.

Each Registered Security shall be dated the date of its authentication except as otherwise provided by Board Resolution or Officers' Certificate or indenture supplemental hereto; and each Bearer Security shall be dated as of the date of original issuance of the first Security of such series to be issued unless otherwise specified pursuant to Section 2.03(b) hereof.

The aggregate principal amount of Securities of any series outstanding at any time may not exceed any limit upon the maximum principal amount for such series set forth in or pursuant to the Board Resolution or Officers' Certificate or indenture supplemental hereto delivered pursuant to Section 2.03, except as provided in Section 2.08.

No Security or coupon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security, or the Security to which such coupon appertains, a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 2.09 together with a written statement stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 2.07. Exchange and Registration of Transfer of Securities.

(a) The Company shall keep, at an office or agency to be designated and maintained by the Company in accordance with Section 4.02 (as such, a "Security Registrar"), registry books (the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall register Registered Securities and shall register the transfer of Registered Securities of each such series as provided in this Article 2. Such Security Register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times such Security Register shall be open for inspection by the Trustee. Upon due presentment for registration of transfer of any Registered Security of a particular series at such office or agency maintained pursuant to Section 4.02 for such purpose in a Place of Payment, the Company shall execute and register and the Trustee shall authenticate and make available for delivery in the name of the transferee or transferees a new Registered Security or Registered Securities of such series of any authorized denominations and for an equal aggregate principal amount and tenor.

(b) At the option of the holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series of any authorized denominations and of an equal aggregate principal amount and tenor. Registered Securities to be exchanged shall be surrendered at any such office or agency maintained pursuant to Section 4.02 for such purpose in a Place of Payment, and the Company shall execute and register and the Trustee shall authenticate and make available for delivery in exchange therefor the Security or Securities that the securityholder making the exchange shall be entitled to receive. Registered Securities, including Registered Securities received in exchange for Bearer Securities, may not be exchanged for Bearer Securities, unless the Company otherwise expressly provides for the issuance, upon such terms and conditions as may be provided with respect to such series, by the Company of Registered Securities of a series that may be exchanged, at the option of the securityholder upon such conditions and limitations as may be specified by the Company, for Bearer Securities of such series.

At the option of the holder, Bearer Securities of any series may be exchanged for Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured coupons (except as provided below) and with all matured coupons in default appertaining thereto. If the holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any paying agent harmless. If thereafter the holder of such Securities shall surrender to any paying agent any such missing coupon in respect of which such a payment shall have been made, such holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 4.02, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States and its possessions. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series and like tenor after the close of business at such office or agency on (i) any record date and before the opening of business at such office or agency on the relevant interest payment date, or (ii) any special record date and before the opening of business at such office or agency on the related proposed date for payment of defaulted interest as set forth in Section 2.05, such Bearer Security shall be surrendered without the coupon relating to such interest payment date or proposed date for payment, as the case may be, and interest or defaulted interest, as the case may be, will not be payable on such interest payment date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the holder of such coupon when due in accordance with the provisions of this Indenture.

Whenever any Securities are so surrendered for exchange, the Company shall execute and register, and the Trustee shall authenticate and make available for delivery, the Securities which the holder making the exchange is entitled to receive.

(c) All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

All Registered Securities presented for registration of transfer or for exchange, redemption or payment, as the case may be, shall (if so required by the Company or the Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee or the Security Registrar duly executed by, the holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any exchange or registration of transfer of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith, other than exchanges pursuant to the terms of this Indenture not involving any transfer.

The Company shall not be required (1) to issue, to exchange or register the transfer of Securities of any series to be redeemed for a period of 15 days next preceding any selection of such Securities to be redeemed, or (2) to exchange or register the transfer of any Registered Security so selected, called or being called for redemption, except in the case of any such series to be redeemed in part the portion thereof not to be so redeemed, or (3) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and of like tenor, provided that such Registered Security shall be simultaneously surrendered for redemption.

(d) Notwithstanding the foregoing, except as otherwise specified as contemplated by Section 2.03(b), any permanent global Security shall be exchangeable pursuant to this Section only as provided in this paragraph. If the beneficial owners of interests in a permanent global Security are entitled to exchange such interests for Securities of such series and of like tenor and principal amount of another authorized form and denomination, as specified as contemplated by Section 2.03(b), then without unnecessary delay but in any event not later than the earliest date on which such interests may be so exchanged, the Company shall deliver to the Trustee or the Security Registrar definitive Securities of that series in aggregate principal amount equal to the principal amount of such permanent global Security executed by the Company. On or after the earliest date on which such interests may be so exchanged, in accordance with instructions given by the Company to the Trustee or the Security Registrar and the Common Depositary or the U.S. Depositary, as the case may be (which instructions shall be in writing), such permanent global Security shall be surrendered from time to time by the Common Depositary or the U.S. Depositary, as the case may be, or such other depositary or Common Depositary or U.S. Depositary, as the case may be, as shall be specified in the Company Order with respect thereto to the Trustee, as the Company's agent for such purpose, or to the Security Registrar, to be exchanged, in whole or in part, for definitive Securities of the same series without charge and the Trustee shall authenticate and make available for delivery in accordance with such instructions, in exchange for each portion of such permanent global Security, a like aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such permanent global Security to be exchanged which (unless the Securities of the series are not issuable both as Bearer Securities and as Registered Securities, in which case the definitive Securities exchanged for the permanent global Security shall be issuable only in the form in which the Securities are issuable, as specified as contemplated by Section 2.03(b)), shall be in the form of Bearer

Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof; provided, however, that no such exchanges may occur for a period of 15 days next preceding any selection of Securities of that series and of like tenor for redemption; and provided, further, that no Bearer Security delivered in exchange for a portion of a permanent global security shall be mailed or otherwise delivered to any location in the United States or its possessions. Promptly following any such exchange in part, such permanent global Security should be returned by the Trustee or the Security Registrar to the Common Depositary or the U.S. Depositary, as the case may be, or such other depositary or Common Depositary or U.S. Depositary referred to above in accordance with the instructions of the Company referred to above. If a Registered Security is issued in exchange for any portion of a permanent global Security after the close of business at the office or agency where such exchange occurs on (i) any record date and before the opening of business at such office or agency on the relevant interest payment date, or (ii) any special record date and before the opening of business at such office or agency on the related proposed date for payment of defaulted interest as provided in Section 2.05, interest or defaulted interest, as the case may be, will not be payable on such interest payment date or proposed date for payment, as the case may be, in respect of such Registered Security, but will be payable on such interest payment date or proposed date for payment, as the case may be, only to the person to whom interest in respect of such portion of such permanent global Security is payable in accordance with the provisions of this Indenture.

SECTION 2.08. Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute and the Trustee shall, upon Company Order, authenticate and make available for delivery, temporary Securities of such series (typewritten, printed, lithographed or otherwise produced). Such temporary Securities, in any authorized denominations, shall be substantially in the form of the definitive Securities in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more or without coupons, in the form approved from time to time by or pursuant to a Board Resolution but with such omissions, insertions, substitutions and other variations as may be appropriate for temporary Securities, all as may be determined by the Company, but not inconsistent with the terms of this Indenture or any provision of applicable law. In the case of any series issuable as Bearer Securities, such temporary Securities shall be delivered only in compliance with the conditions set forth in Section 2.06 and may be in global form.

Except in the case of temporary Securities in global form (which shall be exchanged as hereinafter provided), if temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company maintained pursuant to Section 4.02 in a Place of Payment for such series for the purpose of exchanges of Securities of such series, without charge to the holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like aggregate principal amount of definitive Securities of the same series and of like tenor of authorized denominations; provided, however, that, except as otherwise expressly provided by the Company as contemplated in Section 2.07(b), no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and provided further, however, that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in Section 2.06.

All Euro Securities shall be issued initially in the form of a temporary global Security and any such temporary global Security shall, unless otherwise provided therein, be delivered to the London office of a depositary or common depositary (the "Common Depositary"), for the benefits of Euroclear and Clearstream, Luxembourg, for credit to the respective accounts for the beneficial owners of such Securities (or to such other accounts as they may direct).

Without unnecessary delay but in any event not later than the date specified in, or determined pursuant to the terms of, any such temporary global Security of a series (the "Exchange Date"), the Company shall deliver to the Trustee definitive Securities of that series, in aggregate principal amount equal to the principal amount of such temporary global Security, executed by the Company. On or after the Exchange Date such temporary global Security shall be presented and surrendered by the Common Depositary to the Trustee, as the Company's agent for such purpose, or to the Security Registrar, to be exchanged, in whole or from time to time in part, for definitive Securities of such series without charge, and the Trustee shall authenticate and make available for delivery, in exchange for each portion of such temporary global Security, a like aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such temporary global Security to be exchanged; provided, however, that, unless otherwise specified in such temporary global Security, upon such presentation by the Common Depositary, such temporary global Security must be accompanied by a certificate dated the Exchange Date or a subsequent date and signed by Euroclear as to the portion of such temporary global Security held for its account then to be exchanged and a certificate dated the Exchange Date or a subsequent date and signed by Clearstream, Luxembourg as to the portion of such temporary global Security held for its account then to be exchanged, each in the form set forth in Exhibit A.2 to this Indenture. The definitive Securities to be delivered in exchange for any such temporary global Security shall be in bearer form, registered form, permanent global bearer form or permanent global registered form, or any combination thereof, as specified as contemplated by Section 2.03(b), and, if any combination thereof is so specified, as requested by the beneficial owner thereof; provided, however, that definitive Securities shall be delivered in exchange for a portion of a temporary global Security only in compliance with the requirements of Section 2.06.

Unless otherwise specified in such temporary global Security, the interest of a beneficial owner of Securities of a series in a temporary global Security shall be exchanged for definitive Securities of the same series and of like tenor upon the receipt by Euroclear or Clearstream, Luxembourg, as the case may be, after the Exchange Date of a certificate in the form set forth in Exhibit A.1 to this Indenture (whether or not such certificate is delivered in connection with the payment of interest, as hereinafter provided) signed by the owner of the Security or a financial institution or clearing organization through which the owner directly or indirectly holds such Security, and dated no earlier than 15 days prior to the date on which Euroclear or Clearstream, Luxembourg, as the case may be, furnishes to the Common Depositary in accordance with the preceding paragraph a certificate in the form set forth in Exhibit A.2 to this Indenture that relates to the interest to be exchanged for definitive Securities. Copies of the certificate in the form set forth in Exhibit A.1 to this Indenture shall be available from the offices of Euroclear and Clearstream, Luxembourg, the Trustee, any authenticating agent appointed for such series of Securities and each paying agent. Unless otherwise specified in such temporary global Security, any such exchange shall be made free of charge to the beneficial owners of such temporary global Security, except that a person receiving definitive Securities must bear the cost of insurance, postage, transportation and the like in the event that such person does not take delivery of such definitive Securities in person at the offices of Euroclear or Clearstream, Luxembourg. Definitive Securities to be delivered in exchange for any portion of a temporary global Security shall be delivered only outside the United States and its possessions.

Until exchanged in full as hereinabove provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and of like tenor authenticated and delivered hereunder, except that, unless otherwise specified as contemplated by Section 2.03(b), interest payable on a temporary global Security on any interest payment date for Securities of such series occurring prior to the exchange of such temporary global Security shall be payable to Euroclear and Clearstream, Luxembourg on such interest payment date upon delivery by Euroclear and Clearstream, Luxembourg to the Trustee or the applicable paying agent of a certificate or certificates in the form set forth in Exhibit A.3 to this Indenture, for credit without further interest on or after such interest payment date to the respective accounts of the persons for whom Euroclear or Clearstream, Luxembourg, as the case may be, holds such temporary global Security on such interest payment date and who have each delivered to

Euroclear or Clearstream, Luxembourg, as the case may be, a certificate in the form set forth in Exhibit A.1 to this Indenture. If such interest payment date occurs on or after the Exchange Date, Euroclear or Clearstream, Luxembourg, as the case may be, following the receipt of such certificate shall exchange, in accordance with the procedures hereinabove provided, the portion of the temporary global Security that relates to such certificate for definitive Securities (which, in the absence of instructions to the contrary, shall be an interest in a permanent global Security). Any interest so received by Euroclear and Clearstream, Luxembourg and not paid as herein provided shall be returned to the Trustee or the applicable paying agent immediately prior to the expiration of two years after such interest payment date in order to be repaid to the Company in accordance with Section 12.04.

The terms and form of the certificates to be delivered hereunder, and procedures established with respect thereto, are intended to ensure that (i) interest payable by the Company on Securities of a series issuable in bearer form is deductible by the Company under Section 163(f) of the Internal Revenue Code of 1986, as may be amended from time to time, or any successor provision and (ii) the Company meets the requirements, if any, established by Euroclear or Clearstream, Luxembourg from time to time, and any such certificates or the procedures with respect thereto may be amended or modified by the Company upon delivery of a Company Order to the Trustee accompanied by an Opinion of Counsel to the effect that the proposed modification or amendment will effect continued compliance by the Company with provisions of such Code or Euroclear or Clearstream, Luxembourg, as the case may be.

Every temporary Security shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities.

SECTION 2.09. Mutilated, Destroyed, Lost or Stolen Securities and Coupons.

If any mutilated Security or a Security with a mutilated coupon appertaining thereto is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to the surrendered Security.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall, subject to the following paragraph, execute and the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen), a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen coupon appertains.

In case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or coupon; provided, however, that principal of (and premium, if any, on) and any interest on Bearer Securities shall, except as otherwise provided in Section 4.02, be payable only at an office or agency located outside the United States and its possessions.

Upon the issuance of any new Security under this Section, the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series, with any coupons appertaining thereto, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security or in exchange for a Security to which a destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and any coupons appertaining thereto, or the destroyed, lost or stolen coupon shall be at any time enforceable by anyone, and any such new Security and coupons, if any, shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series and their coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

SECTION 2.10. Cancellation.

All Securities surrendered for payment, redemption, exchange or registration of transfer or for credit against any sinking fund payment, as the case may be, and any coupons surrendered for payment, shall, if surrendered to the Company or any agent of the Company or of the Trustee, be delivered to the Trustee. All Registered Securities and matured coupons so delivered shall be promptly cancelled by the Trustee. All Bearer Securities and unmatured coupons so delivered shall be held by the Trustee, and upon instruction by a Company Order, shall be cancelled or held for reissuance. All Bearer Securities and unmatured coupons held by the Trustee pending such cancellation or reissuance shall be deemed to be delivered for cancellation for all purposes of this Indenture and the Securities. The Company may deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section except as expressly provided by this Indenture. Any cancelled Securities and coupons held by the Trustee shall be delivered to the Company or disposed of as directed by the Company; provided, however, that the Trustee may, but shall not be required to, destroy such Securities.

SECTION 2.11. Book-Entry Only System.

If specified by the Company pursuant to Section 2.03(b) with respect to Securities represented by a Security in global form, a series of Securities may be issued initially in book-entry only form and, if issued in such form, shall be represented by one or more Securities in global form registered in the name of the U.S. or Common Depositary or other depositary designated with respect thereto. So long as such system of registration is in effect, (a) Securities of such series so issued in book-entry only form will not be issuable in the form of or exchangeable for Securities in certificated or definitive registered form, (b) the records of the U.S. or Common Depositary or such other depositary will be determinative for all purposes and (c) neither the Company, the Trustee nor any paying agent, Security Registrar or transfer agent for such Securities will have any responsibility or liability for (i) any aspect of the records relating to or payments made on account of owners of beneficial interests in the Securities of such series, (ii) maintaining, supervising or reviewing any records relating to such beneficial interests, (iii) receipt of notices, voting and requesting or directing the Trustee to take, or not to take, or consenting to, certain actions hereunder, or (iv) the records and procedures of the U.S. or Common Depositary, or such other depositary, as the case may be.

ARTICLE 3

REDEMPTION OF SECURITIES

SECTION 3.01. Redemption of Securities; Applicability of Section.

Redemption of Securities of any series as permitted or required by the terms thereof shall be made in accordance with the terms of such Securities as specified pursuant to Section 2.03(b) hereof and this Article; provided, however, that if any provision of any series of Securities shall conflict with any provision of this Section, the provision of such series of Securities shall govern.

SECTION 3.02. Notice of Redemption; Selection of Securities.

In case the Company shall desire to exercise the right to redeem all or, as the case may be, any part of a series of Securities pursuant to Section 3.01, it shall fix a date for redemption. Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company, or, at the Company's request, by the Trustee in the name and at the expense of the Company. The Company or the Trustee, as the case may be, shall give notice of such redemption, in the manner and to the extent set forth in Section 15.04, on that date prior to the date fixed for a redemption to the holders of such Securities so to be redeemed, as a whole or in part, (a) as set forth in Board Resolutions, as described in Section 2.03(b), or (b) as determined by the Chief Executive Officer, the Chief Financial Officer, any Senior or other Vice President or the Treasurer of the Company (each, an "Authorized Officer") and evidenced by the preparation of an offering document or an Officer's Certificate specifying the period of notice of such redemption. If the Board Resolutions or an Authorized Officer do not specify a period of notice of such redemption, the Company or the Trustee, as the case may be, shall give notice of such redemption, in the manner and to the extent set forth in Section 15.04, at least 10 business days and not more than 60 calendar days prior to the date fixed for a redemption to the holders of such Securities so to be redeemed as a whole or in part. Notice given in such manner shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice or any defect in the notice to the holder of any such Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other such Security. If the Company requests the Trustee to give any notice of redemption, it shall make such request at least ten days prior to the designated date for delivering such notice, unless a shorter period is satisfactory to the Trustee.

Each such notice of redemption shall specify the date fixed for redemption, the redemption price at which such Securities are to be redeemed, the CUSIP numbers of such Securities, the Place of Payment where such Securities, together, in the case of Bearer Securities, with all coupons appertaining thereto, if any, maturing after the date of redemption, are to be surrendered for payment of the redemption prices, that payment will be made upon presentation and surrender of such Securities, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. If less than all of a series is to be redeemed, the notice of redemption shall specify the numbers of the Securities to be redeemed. In case any Security is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that, upon surrender of such Security, a new Security or Securities of the same series in principal amount equal to the unredeemed portion thereof will be issued.

On or before the redemption date specified in the notice of redemption given as provided in this Section, the Company will deposit in trust with the Trustee or with one or more paying agents an amount of money sufficient to redeem on the redemption date all the Securities or portions of Securities so called for redemption at the appropriate redemption price, together with accrued interest, if any, to the date fixed for redemption. If less than all of a series of Securities is to be redeemed, the Company will give the Trustee adequate written notice at least 45 days in advance (unless a shorter notice shall be satisfactory to the Trustee) as to the aggregate principal amount of Securities to be redeemed.

If less than all the Securities of a series are to be redeemed, the Trustee shall select, pro rata or by lot or in such other manner as it shall deem appropriate and fair, not more than 60 days prior to the date of redemption, the numbers of such Securities Outstanding not previously called for redemption, to be redeemed in whole or in part. The portion of principal of Securities so selected for partial redemption shall be equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof. The Trustee shall promptly notify the Company of the Securities to be redeemed. If, however, less than all the Securities of a series having differing issue dates, interest rates and stated maturities are to be redeemed, the Company in its sole discretion shall select the particular Securities of such series to be redeemed and shall notify the Trustee in writing at least 45 days prior to the relevant redemption date.

SECTION 3.03. Payment of Securities Called for Redemption.

If notice of redemption has been given as above provided, the Securities or portions of Securities with respect to which such notice has been given shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with any interest accrued to the date fixed for redemption, and on and after said date (unless the Company shall default in the payment of such Securities at the redemption price, together with interest accrued to said date) interest on such Securities or portions of Securities so called for redemption shall cease to accrue and the coupons, if any, for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. On presentation and surrender of such Securities subject to redemption at the Place of Payment and in the manner specified in such notice, together with all coupons, if any, appertaining thereto and maturing after the date specified in such notice for redemption, such Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption; provided, however, that installments of interest on Bearer Securities whose stated maturity date is on or prior to the date of redemption shall be payable only at an office or agency located outside the United States and its possessions (except as otherwise provided in Section 4.02) and, unless otherwise specified as contemplated by Section 2.03(b), only upon presentation and surrender of coupons for such interest; and provided, further, that unless otherwise specified as contemplated by Section 2.03(b), installments of interest on Registered Securities whose stated maturity date is on or prior to the date of redemption shall be payable to the holders of such Registered Securities, or one or more predecessor Securities, registered as such at the close of business on the relevant record dates according to their terms and the provisions of Section 2.05.

At the option of the Company, payment with respect to Registered Securities may be made by check to the holders of such Securities or other persons entitled thereto against presentation and surrender of such Securities.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the date of redemption, such Security may be paid after deducting from the redemption price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to

save each of them and any paying agent harmless. If thereafter the holder of such Security shall surrender to the Trustee or any paying agent any such missing coupon in respect of which a deduction shall have been made from the redemption price, such holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by coupons shall be payable only at an office or agency located outside the United States and its possessions (except as otherwise provided in Section 4.02) and, unless otherwise specified as contemplated by Section 2.03(b), only upon presentation and surrender of those coupons.

Any Security (including any coupons appertaining thereto) that is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the holder thereof or such holder's attorney duly authorized in writing), and upon such presentation, the Company shall execute and the Trustee shall authenticate and make available for delivery to the holder thereof, at the expense of the Company, a new Security or Securities of the same series, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the principal of the Security so presented. If a temporary global Security or permanent global Security is so surrendered, such new Security so issued shall be a new temporary global Security or permanent global Security, respectively.

SECTION 3.04. Redemption Suspended During Event of Default.

The Trustee shall not redeem any Securities (unless all Securities then outstanding are to be redeemed) or commence the giving of any notice or redemption of Securities during the continuance of any Event of Default of which a Responsible Officer of the Trustee has actual knowledge or notice, except that where the giving of notice of redemption of any Securities shall theretofore have been made, the Trustee shall redeem such Securities, provided funds are deposited with it for such purpose. Except as aforesaid, any moneys theretofore or thereafter received by the Trustee shall, during the continuance of such Event of Default, be held in trust for the benefit of the securityholders and applied in the manner set forth in Section 6.06; provided, however, that in case such Event of Default shall have been waived as provided herein or otherwise cured, such moneys shall thereafter be held and applied in accordance with the provisions of this Article.

ARTICLE 4

PARTICULAR COVENANTS OF THE COMPANY

SECTION 4.01. Payment of Principal, Premium and Interest.

The Company will duly and punctually pay or cause to be paid the principal of (and premium, if any, on) and any interest on each of the Securities of a series at the place, at the respective times and in the manner provided in the terms of the Securities, any coupons appertaining thereto and this Indenture. Unless otherwise specified as contemplated by Section 2.03(b) with respect to any series of Securities, any interest due on and any Additional Amounts payable in respect of Bearer Securities on or before maturity shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature.

SECTION 4.02. Offices for Notices and Payments, etc.

If Securities of a series are issuable only as Registered Securities, the Company will maintain in each Place of Payment for such series an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain (A) in the Borough of Manhattan, The City of New York (or in such other place or places in the United States as the Company may designate from time to time by Company Order delivered to the Trustee), an office or agency where any Registered Securities of that series may be presented or surrendered for payment, where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange, where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served and where Bearer Securities of that series and related coupons may be presented or surrendered for payment in the circumstances described below (and not otherwise), (B) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States and its possessions, an office or agency where Securities of that series and related coupons may be presented and surrendered for payment (including payment of any Additional Amounts payable on Securities of that series pursuant to Section 4.09); provided, however, that if the Securities of that series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland, Limited, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and its possessions and such stock exchange shall so require, the Company will maintain a paying agent for the Securities of that series in London, Luxembourg or any other required city located outside the United States and its possessions, as the case may be, so long as the Securities of that series are listed on such exchange, and (C) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States and its possessions, an office or agency where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served.

The Company will give to the Trustee notice of the location of each such office or agency and of any change in the location thereof. In case the Company shall fail to maintain any such office or agency as required, or shall fail to give such notice of the location or of any change in the location thereof, presentations and surrenders of Securities of that series may be made and notices and demands may be served at the principal corporate trust office of the Trustee, except that Bearer Securities of that series and the related coupons may be presented and surrendered for payment (including payment of any Additional Amounts payable on Bearer Securities of that series pursuant to Section 4.09) at any paying agent for such series located outside the United States and its possessions or, if none have been so appointed, then at the London office of the Trustee, and the Company hereby appoints the same as its agent to receive such respective presentations, surrenders, notices and demands.

No payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States or its possessions or by check mailed to any address in the United States or its possessions or by transfer to any account maintained with a financial institution located in the United States or its possessions; provided, however, that, if the Securities of a series are denominated and payable in Dollars, payment of principal of (and premium, if any) and any interest on any Bearer Security (including any Additional Amounts payable on Securities of such series pursuant to Section 4.09) shall be made at the office of the Company's paying agent in the Borough of Manhattan, The City of New York (or in such other place or places in the United States as the Company may designate from time to time by Company Order delivered to the Trustee), if (but only if) payment in

Dollars of the full amount of such principal, premium, interest or Additional Amounts, as the case may be, at all offices or agencies outside the United States and its possessions maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in accordance with the requirements set forth above for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee and the holders of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby initially designates the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. as the office of the Company in the Borough of Manhattan, the City of New York, where Registered Securities may be presented for payment, for registration of transfer and for exchange as in this Indenture provided and where notices and demands to or upon the Company in respect of the Securities or of this Indenture may be served.

SECTION 4.03. Provisions as to Paying Agent.

(a) Whenever the Company shall appoint a paying agent other than the Trustee with respect to the Securities of any series, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section:

(1) that it will hold sums held by it as such agent for the payment of the principal of (and premium, if any, on) or any interest on the Securities of such series (whether such sums have been paid to it by the Company or by any other obligor on the Securities of such series) in trust for the benefit of the persons entitled thereto until such sums shall be paid to such persons or otherwise disposed of as herein provided and will notify the Trustee of the receipt of sums to be so held;

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Securities of such series) to make any payment of the principal of (or premium, if any, on) or any interest on the Securities of such series when the same shall be due and payable; and

(3) that at any time when any such failure has occurred and is continuing, it will, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such paying agent.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of (and premium, if any) or any interest on the Securities of any series, set aside, segregate and hold in trust for the benefit of the persons entitled thereto a sum sufficient to pay such principal (and premium, if any) or any interest so becoming due until such sums shall be paid to such persons or otherwise disposed of as herein provided. The Company will promptly notify the Trustee of any failure to take such action.

(c) Whenever the Company shall have one or more paying agents with respect to a series of Securities, it will, on or prior to each due date of the principal of (and premium, if any, on) or any interest on, any Securities, deposit with a paying agent a sum sufficient to pay the principal (and premium, if any) or any interest, so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such paying agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

(d) Anything in this Section to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture with respect to one or more or all series of Securities hereunder, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust for such series by it or any paying agent hereunder as required by this Section, such sums to be held by the Trustee upon the trusts herein contained, and upon such payment by any paying agent to the Trustee, such paying agent shall be released from all further liability with respect to such money.

(e) Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Sections 12.03 and 12.04.

SECTION 4.04. Statement as to Compliance.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, commencing with the fiscal year ending in the year during which the first series of Securities is issued hereunder (but in no event more than one year from the issuance of the first series hereunder), a written statement signed by the Chairman of the Board, President or other principal executive officer and by the Treasurer or other principal financial officer or principal accounting officer of the Company, stating, as to each signer thereof, that:

(a) a review of the activities of the Company during such year and of performance under this Indenture has been made under his supervision; and

(b) to the best of his knowledge, based on such review, the Company has fulfilled all its obligations under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof.

SECTION 4.05. Corporate Existence.

Subject to the provisions of Article 11, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises and the corporate existence and rights (charter and statutory) and franchises of its subsidiaries; provided, however, that the Company shall not be required to, or to cause any subsidiary to, preserve any right or franchise or to keep in full force and effect the corporate existence of any subsidiary if the Company shall determine that the keeping in existence or preservation thereof is no longer

desirable in or consistent with the conduct of the business of the Company.

SECTION 4.06. Limitation on Sale or Issuance of Capital Stock of a Principal Subsidiary.

Subject to the provisions of Article 11, the Company will not sell, assign, transfer or otherwise dispose of, or permit the issuance of, or permit a subsidiary to sell, assign, transfer or dispose of, any shares of Capital Stock of, or any securities convertible into or options, warrants or rights to subscribe for or purchase shares of, Capital Stock of, any Principal Subsidiary or any subsidiary which owns shares of Capital Stock of, or any securities convertible into or options, warrants or rights to subscribe for or purchase shares of Capital Stock of, any Principal Subsidiary, except:

(1) any sale, assignment, transfer or other disposition or issuance made, in the minimum amount required by law, to any person for the purpose of the qualification of such person to serve as a director; or

(2) any sale, assignment, transfer or other disposition or issuance for not less than fair market value (as determined by the Board of Directors, such determination being evidenced by a Board Resolution, which determination shall be conclusive), if, after giving effect to such disposition and to conversion of any shares or securities convertible into Capital Stock of a Principal Subsidiary, the Company would own directly or indirectly not less than 80% of each class of the Capital Stock of such Principal Subsidiary (or any successor corporation thereto); or

(3) any sale, assignment, transfer or other disposition or issuance made in compliance with an order of a court or regulatory authority of competent jurisdiction; or

(4) any sale by a Principal Subsidiary (or any successor corporation thereto) of additional shares of its Capital Stock to its stockholders at any price, so long as (1) prior to such sale the Company owns, directly or indirectly, shares of the same class and (2) immediately after such sale, the Company owns, directly or indirectly, at least as great a percentage of each class of Capital Stock of such Principal Subsidiary as it owned prior to such sale of additional shares; or

(5) any sale by a Principal Subsidiary (or any successor corporation thereto) of additional securities convertible into shares of its Capital Stock to its stockholders at any price, so long as (1) prior to such sale the Company owns, directly or indirectly, securities of the same class and (2) immediately after such sale the Company owns, directly or indirectly, at least as great a percentage of each class of such securities convertible into shares of Capital Stock of such Principal Subsidiary as it owned prior to such sale of additional securities; or

(6) any sale by a Principal Subsidiary (or any successor corporation thereto) of additional options, warrants or rights to subscribe for or purchase shares of its Capital Stock to its stockholders at any price, so long as (1) prior to such sale the Company owns, directly or indirectly, options, warrants or rights, as the case may be, of the same class and (2) immediately after such sale, the Company owns, directly or indirectly, at least as great a percentage of each class of such options, warrants or rights, as the case may be, to subscribe for or purchase shares of Capital Stock of a Principal Subsidiary as it owned prior to such sale of additional options, warrants or rights; or

(7) any issuance of shares of Capital Stock, or securities convertible into or options, warrants or rights to subscribe for or purchase shares of Capital Stock, of a Principal Subsidiary or any subsidiary which owns shares of Capital Stock, or securities convertible into, or options, warrants or rights to acquire Capital Stock of any Principal Subsidiary to the Company or another Wholly-Owned Subsidiary.

The Trustee shall have no duty or responsibility to monitor compliance with this Section 4.06.

SECTION 4.07. Waiver of Covenants.

The Company may omit in any particular instance to comply with any covenant or condition set forth herein if before or after the time for such compliance the holders of a majority in principal amount of the Securities of all series affected thereby then Outstanding shall either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

SECTION 4.08. Notice of Default.

The Company shall file with the Trustee written notice of the occurrence of any Default or Event of Default within five business days of its becoming aware of any such Default or Event of Default.

SECTION 4.09. Determination of Additional Amounts.

If the Securities of a series provide for the payment of Additional Amounts, the Company will pay to the holder of any Security of such series or any coupon appertaining thereto Additional Amounts as provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or payment of any related coupon or the net proceeds received on the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

If the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first interest payment date with respect to that series of Securities (or, if the Securities of that series will not bear interest prior to maturity (including any maturity occurring by reason of a call of redemption or otherwise), the first day on which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of

principal and any premium or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company will furnish the Trustee and the Company's principal paying agent or paying agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and such paying agent or paying agents whether such payment of principal of (and premium, if any, on) or any interest on the Securities of that series shall be made to holders of Securities of that series or any related coupons who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of that series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such holders of Securities or coupons and the Company will pay to the Trustee or such paying agent the Additional Amounts required by this Section. The Company covenants to indemnify the Trustee and any paying agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

ARTICLE 5

SECURITYHOLDER LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

SECTION 5.01. Securityholder Lists.

The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee (1) semiannually, not later than January 15 and July 15 in each year, when any Securities of a series are Outstanding, a list, in such form as the Trustee may reasonably require, of all information in the possession or control of the Company as to the names and addresses of the holders of such Registered Securities as of such date, and (2) at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list, in such form as the Trustee may reasonably require, of all information in the possession or control of the Company as to the names and addresses of the holders of Registered Securities of a particular series specified by the Trustee as of a date not more than 15 days prior to the time such information is furnished; provided, however, that if and so long as the Trustee shall be the Security Registrar with respect to such series, such list shall not be required to be furnished.

SECTION 5.02. Preservation and Disclosure of Lists.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of each series of Securities contained in the most recent list furnished to it as provided in Section 5.01 or received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

(b) In case three or more holders of Securities of a series (hereinafter referred to as "applicants") apply in writing to the Trustee and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Securities of a particular series (in which case the applicants must hold Securities of such series) or with holders of all Securities with respect to their rights under this Indenture or under such Securities and it is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

(i) afford to such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section, or

(ii) inform such applicants as to the approximate number of holders of Securities of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee, in accordance with the provisions of subsection (a) of this Section and as to the approximate cost of mailing to such securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford to such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each securityholder of such series or all Securities, as the case may be, whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section, a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Securities of such series or all Securities, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met, and shall enter an order so declaring, the Trustee shall mail copies of such material to all such securityholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of Securities or coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of the Company or of the Trustee shall be deemed to be in violation of any law or shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Securities in accordance with the provisions of subsection (b) of this Section, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (b).

SECTION 5.03. Reports by the Company.

The Company covenants so long as Securities are Outstanding:

(a) to file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of such

sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by said Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents, and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations; and

(c) to transmit by mail to all the holders of Registered Securities of each series, as the names and addresses of such holders appear on the registry books, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company with respect to each such series pursuant to subsections (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

SECTION 5.04. Reports by the Trustee.

(a) On or before May 15 of each year after the date hereof, so long as any Securities are outstanding hereunder and if there has been any change in the following, the Trustee shall transmit to the securityholders, as provided in subsection (c) of this Section, in accordance with and to the extent required by Section 3.13(a) of the Act, a brief report dated as of the preceding May 15, with respect to:

(1) any change to its eligibility under Section 7.09, and its qualification under Section 7.08;

(2) the creation of or any material change to a relationship specified in paragraphs (1) through (10) of Section 7.08(c);

(3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than one-half of one percent (0.5%) of the principal amount of the Securities for any series Outstanding on the date of such Report;

(4) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except as indebtedness based upon a creditor relationship arising in any manner described in paragraph (2), (3), (4), or (6) of subsection (b) of Section 7.13;

(5) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(6) any additional issue of Securities that it has not previously reported; and

(7) any action taken by the Trustee in the performance of its duties under this Indenture that it has not previously reported and that in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 7.14.

(b) The Trustee shall transmit to the holders of Securities of any series, as provided in subsection (c) of this Section, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to the provisions of subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this Indenture), for the reimbursement of which it claims or may claim a lien or charge prior to that of the Securities of any series on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this subsection (b), except that the Trustee for each series shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of Securities for such series Outstanding at such time, such report to be transmitted within 90 days after such time.

(c) Reports pursuant to this Section shall be transmitted by mail:

(1) to all holders of Registered Securities, as the names and addresses of such holders appear in the Security Register;

(2) to such holders of Bearer Securities as have, within the two years preceding such transmission, filed their names and addresses with the Trustee for that purpose; and

(3) except in the case of reports pursuant to subsection (b) of this Section, to all holders of Securities whose names and addresses are at that time preserved by the Trustee, as provided in 5.02(a).

(d) A copy of each such report shall, at the time of such transmission to holders of Securities, be filed by the Trustee with each stock exchange upon which the Securities are listed and also with the Commission and the Company. The Company agrees to promptly notify the Trustee when and as the Securities become listed on any stock exchange.

ARTICLE 6

REMEDIES

SECTION 6.01. Events of Default; Acceleration of Maturity.

In case one or more of the following Events of Default with respect to a particular series shall have occurred and be continuing:

(a) default in the payment of the principal of (or premium, if any, on) any of the Securities of such series as and when the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or

(b) default in the payment of any installment of interest upon any of the Securities of such series as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Securities or in this Indenture contained for a period of 90 days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Securities affected thereby at the time Outstanding; or

(d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Company or for any substantial part of its property, or shall make any general assignment for the benefit of creditors; or

(f) a Default under the Credit Agreement (as defined therein);

then, if an Event of Default described in clause (a), (b) or (c) shall have occurred and be continuing, and in each and every such case, unless the principal amount of all the Securities of such series shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Securities of all series affected thereby then Outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by securityholders) may declare the principal amount of all the Securities (or, with respect to Original Issue Discount Securities, such lesser amount as may be specified in the terms of such Securities) affected thereby to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities of such series contained to the contrary notwithstanding, or, if an Event of Default described in clause (d) or (e) shall have occurred and be continuing, and in each and every such case, unless the principal of all the Securities of such series shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of all the Securities then Outstanding hereunder (voting as one class), by notice in writing to the Company (and to the Trustee if given by securityholders), may declare the principal of all the Securities (or, with respect to Original Issue Discount Securities, such lesser amount as may be specified in the terms of such Securities) to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities contained to the contrary notwithstanding.

SECTION 6.02. Rescission and Annulment.

The provisions in Section 6.01 are subject to the condition that if, at any time after the principal of the Securities of any one or more of all series, as the case may be, shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities of such series or of all the Securities, as the case may be, and the principal of (and premium, if any, on) all Securities of such series or of all the Securities, as the case may be (or, with respect to Original Issue Discount Securities, such lesser amount as may be specified in the terms of such Securities), which shall have become due otherwise than by acceleration (with interest upon such principal and premium, if any) and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest specified in the Securities of such series or all Securities, as the case may be (or, with respect to Original Issue Discount Securities, at the rate specified in the terms of such Securities for interest on overdue principal thereof upon maturity, redemption or acceleration of such series, as the case may be), to the date of such payment or deposit, and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith, and any and all defaults under the Indenture, other than the non-payment of the principal of Securities, which shall have become due by acceleration, shall have been remedied; then and in every such case the holders of a majority in aggregate principal amount of the Securities of such series (or of all the Securities, as the case may be) then Outstanding, by written notice to the Company and to the Trustee, may waive all defaults with respect to that series or with respect to all Securities, as the case may be in such case, treated as a single class and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission and annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the securityholders, as the case may be, shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the securityholders, as the case may be, shall continue as though no such proceedings had been taken.

SECTION 6.03. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any installment of interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal or premium, if any, of any Security at the maturity thereof, including any maturity occurring by reason of a call for redemption or otherwise,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the holders of such Securities and any coupons appertaining thereto, the whole amount that shall have become due and payable on such Securities and coupons for principal or premium, if any, and interest, with interest upon the overdue principal and, to the extent that payment of such interest shall be legally enforceable, upon overdue installments of interest, at the rate borne by such Securities; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceedings to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the securityholders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 6.04. Trustee May File Proofs of Claim.

In the case of the pendency of a receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of principal and premium, if any, and any interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the holders of Securities and coupons allowed in such judicial proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator or sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each holder of Securities and coupons to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the holders of Securities and coupons, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.06. To the extent that such payment of reasonable compensation, expenses, disbursements, advances and other amounts out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the holders of the Securities and coupons may be entitled to receive in such proceedings, whether in liquidation or under any plan or reorganization or arrangements or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of the holder of a Security or a coupon any plan of reorganization, arrangement, adjustment or composition affecting the Securities or coupons or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder of a Security or a coupon in any such proceeding.

SECTION 6.05. Trustee May Enforce Claims Without Possession of Securities or Coupons.

All rights of action and claims under this Indenture or the Securities or coupons may be prosecuted and enforced by the Trustee without the possession of any of the Securities or coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Securities and coupons in respect of which such judgment has been recovered.

SECTION 6.06. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or any interest, upon presentation of the Securities or coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 7.06;

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal of and premium, if any, and any interest on the Securities and coupons, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities and coupons, for principal and any interest, respectively; and

THIRD: To the Company or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

SECTION 6.07. Limitation on Suits.

No holder of any Security of any series or any related coupons shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (1) such holder has previously given written notice to the Trustee of a continuing Event of Default;
- (2) the holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (3) such holder or holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and
- (5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the Outstanding Securities;

it being understood and intended that no one or more such holders of Securities shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such holders of Securities or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such holders of Securities.

SECTION 6.08. Unconditional Right of Securityholders to Receive Principal and Interest.

Notwithstanding any other provision in this Indenture, the holder of any Security or coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Sections 2.05 and 3.02) any interest on such Security or payment of such coupon on the respective stated maturities expressed in such Security or coupon (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such holder.

SECTION 6.09. Restoration of Rights and Remedies.

If the Trustee or any holder of a Security or coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such holder, then and in every such case the Company, the Trustee and the holders of Securities and coupons shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the holders shall continue as though no such proceeding has been instituted.

SECTION 6.10. Rights and Remedies Cumulative.

Except as provided in Section 2.09, no right or remedy herein conferred upon or reserved to the Trustee or to the holders of Securities or coupons is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 6.11. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any holder of any Security or coupon to exercise any right or remedy accruing upon any Default shall impair any such right or remedy or constitute a waiver of any such Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the holders of Securities or coupons may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the holders of Securities or coupons, as the case may be.

SECTION 6.12. Control by Securityholders.

The holders of a majority in principal amount of Outstanding Securities of each series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that

- (1) such direction shall not be in conflict with any statute, rule of law or with this Indenture;
- (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; and
- (3) the Trustee need not take any action which it in good faith determines might involve it in personal liability or be unjustly prejudicial to the securityholders not consenting.

Upon receipt by the Trustee of any such direction with respect to Securities of a series all or part of which is represented by a temporary global Security or a permanent global Security, the Trustee shall establish a record date for determining holders of Outstanding Securities of such series entitled to join in such direction, which record date shall be at the close of business on the day the Trustee receives such direction. The holders on such record date, or their duly designated proxies, and only such persons, shall be entitled to join in such direction, whether or not such holders remain holders after such record date, provided that, unless such majority in principal amount shall have been obtained prior to the day which is 90 days after such record date, such direction shall automatically and without further action by any holder be cancelled and of no further effect. Nothing in this paragraph shall prevent a holder, or a proxy of a holder, from giving, after expiration of such 90-day period, a new direction identical to a direction which has been cancelled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 6.12.

SECTION 6.13. Waiver of Past Defaults.

The holders of a majority in principal amount of the Outstanding Securities of each series may, on behalf of the holders of all the Securities and any

coupons appertaining thereto, waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of, premium, if any, or any interest on any Security; or

(2) in respect of a covenant or provision hereof that pursuant to Article 10 cannot be modified or amended without the consent of the holder of each Outstanding Security affected.

Upon any such waiver, such default shall cease to exist, and any Default or Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 6.14. Undertaking for Costs.

All parties to this Indenture agree, and each holder of any Security or coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any holder, or group of holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities, or to any suit instituted by any holder of any Securities or coupons for the enforcement of the payment of the principal of, premium, if any, or any interest on any Security or the payment of any coupon on or after the respective stated maturities expressed in such Security or coupon (or, in the case of redemption, on or after the redemption date, except, in the case of a partial redemption, with respect to the portion not so redeemed).

SECTION 6.15. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension laws wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

CONCERNING THE TRUSTEE

SECTION 7.01. Duties and Responsibilities of Trustee.

(a) The Trustee, prior to the occurrence of an Event of Default of a particular series and after the curing of all Events of Default of such series which may have occurred, undertakes to perform such duties and only such duties with respect to such series as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to a particular series has occurred (which has not been cured), the Trustee shall exercise with respect to such series such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provisions of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) prior to the occurrence of an Event of Default with respect to a particular series and after the curing of all Events of Default with respect to such series which may have occurred, the duties and obligations of the Trustee with respect to such series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of Securities pursuant to Section 6.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(d) No provision of this Indenture shall be construed as requiring the Trustee to expend or risk its own funds or otherwise to incur any personal financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 7.02. Reliance on Documents, Opinions, etc.

Subject to the provisions of Section 7.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or any Assistant Secretary of the Company; and whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(c) the Trustee may consult with counsel and the written advice of such counsel and any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the holders of any Securities or any related coupons pursuant to the provisions of this Indenture, unless such holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon or other paper or documents, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(g) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

SECTION 7.03. No Responsibility for Recitals, etc.

The recitals contained herein and in the Securities, other than the Trustee's certificate of authentication, and in any coupons shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or coupons, provided that the Trustee shall not be relieved of its duty to authenticate Securities only as authorized by this Indenture. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 7.04. Ownership of Securities.

The Trustee, any authenticating agent, any paying agent, any Security Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and coupons with the same rights it would have if it were not Trustee, authenticating agent, paying agent, Security Registrar or such other agent of the Company or of the Trustee.

SECTION 7.05. Moneys to be Held in Trust.

Subject to the provisions of Section 12.04 hereof, all moneys received by the Trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received by it hereunder except such as it may agree in writing with the Company to pay thereon.

SECTION 7.06. Compensation and Expenses of Trustee.

The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation for all services rendered by it hereunder as the Company and the Trustee shall from time to time agree in writing (which to the extent permitted by law shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and, except as otherwise expressly provided, the Company will pay or reimburse the Trustee forthwith upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. If any property other than cash shall at any time be subject to the lien of this Indenture, the Trustee, if and to the extent authorized by a receivership or bankruptcy court of competent jurisdiction or by the supplemental instrument subjecting such property to such lien, shall be entitled to make and to be reimbursed for, advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The Company also covenants to indemnify the Trustee for, and to hold it harmless against, any and all loss, damage, claims, liability or expense, including taxes (other than taxes based upon, measured or determined by, the income of the Trustee) incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability. The obligations of the Company under this Section shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Securities.

To secure the Company's obligations under this Section, the Trustee shall have a senior claim to which the Securities are hereby made subordinate on all money or property held or collected by the Trustee, except that held in trust to pay principal of (and premium, if any) and interest, if any, on particular Securities.

When the Trustee incurs expenses or renders services after an Event of Default, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy law.

SECTION 7.07. Officers' Certificate as Evidence.

Subject to the provisions of Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action to be taken hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 7.08. Disqualifications; Conflicting Interest of Trustee.

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section, it shall, within 90 days after ascertaining that it has such conflicting interest, and if an Event of Default as defined in subsection (c) of this Section to which such conflicting interest relates has not been cured or duly waived or otherwise eliminated before the end of such 90-day period, either eliminate such conflicting interest or resign in the manner and with the effect specified in Section 7.10.

(b) In the event that the Trustee shall fail to comply with the provisions of subsection (a) of this Section, the Trustee shall, within ten days after the expiration of such 90-day period, transmit notice of such failure in the manner and to the extent set forth in Section 5.04(c), to all securityholders of the series affected by the conflicting interest.

(c) For the purposes of this Section the Trustee shall be deemed to have a conflicting interest with respect to a particular series if such Securities are in default and:

(1) the Trustee is trustee under this Indenture with respect to the outstanding Securities of any other series or is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Securities issued under this Indenture; provided that there shall be excluded from the operation of this paragraph (A) this Indenture with respect to any other series, and (B) any other indenture or indentures under which other securities, or certificates of interest or participation in other securities of the Company are outstanding if

(i) this Indenture is, and, if applicable, such other indenture or indentures, are wholly unsecured and rank equally, and such other indenture or indentures are hereafter qualified under the Trust Indenture Act of 1939, as in effect at the time of such qualification, unless the Commission shall have found and declared by order pursuant to subsection (b) of Section 305 or subsection (c) of Section 307 of the Trust Indenture Act of 1939 that differences exist between the provisions of this Indenture with respect to such particular series and (A) one or more other series in this Indenture or (B) the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to such particular series and such other series or such other indenture or indentures, or

(ii) the Company shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that trusteeship under this Indenture with respect to such particular series and such other series or under this Indenture and such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to such particular series and such other series or under this Indenture and such other indenture or indentures;

(2) the Trustee or any of its directors or executive officers is an underwriter for an obligor upon the Securities of any series issued under this Indenture;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee, or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting, except that (A) one individual may be a director or an executive officer or both of the Trustee and a director or an executive officer or both of the Company, but may not be at the same time an executive officer of both the Trustee and the Company; (B) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director or an executive officer or both of the Trustee and a director of the Company; and (C) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent, or depository, or in any other similar capacity, or, subject to the provisions of paragraph (1) of this subsection (c), to act as trustee, whether under an indenture or otherwise;

(5) 10% or more of the voting securities of the Trustee are beneficially owned either by the Company or by any director, partner, or executive officer thereof, or 20% or more of such voting securities are beneficially owned, collectively, by any two or more of such persons, or 10% or more of the voting securities of the Trustee are beneficially owned either by an underwriter for the Company or by any director, partner, or executive officer thereof, or are beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, (A) 5% or more of the voting securities, or 10% or more of any other class of security, of the Company, not including the Securities issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (B) 10% or more of any class of security of an underwriter for the Company;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 5% or more of the voting securities of any person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 10% or more of any class of security of any person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of the Company; or

(9) the Trustee owns on the date of default as defined in subsection (c) of this Section or any anniversary of such default while such default remains outstanding, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this subsection (c). As to any such securities of which the Trustee acquired ownership through becoming executor, administrator, or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of not more than two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after the dates of any such default and annually in each succeeding year that the Securities of any series hereunder remain in default, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such dates. If the Company fails to make payment in full of principal of or interest on any of the Securities when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph (9), all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this subsection (c); or

(10) except under the circumstances described in Section 7.13, the Trustee shall be or shall become a creditor of the Company.

The specification of percentages in paragraphs (5) to (9), inclusive, of this subsection (c) shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) or this subsection (c).

For the purposes of paragraphs (6), (7), (8) and (9) of this subsection (c) only, (A) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (B) an obligation shall be deemed to be in default when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (C) the Trustee shall not be deemed to be the owner or holder of (i) any security which it holds as collateral security (as trustee or otherwise) for any obligation which is not in default as defined in clause (B) above, or (ii) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (iii) any security which it holds as agent for collection, or as custodian, escrow agent, or depository, or in any similar representative capacity.

(d) For the purposes of this Section:

(1) The term "underwriter" when used with reference to the Company shall mean every person who, within one year prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or has sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term "director" shall mean any director of a corporation or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) The term "person" shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "voting security" shall mean any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security currently are entitled to vote in the direction or management of the affairs of a person.

(5) The term "Company" shall mean any obligor upon the Securities.

(6) The term "executive officer" shall mean the president, every vice president, every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated but shall not include the chairman of the board of directors.

(7) The percentages of voting securities and other securities specified in this Section shall be calculated in accordance with the following provisions:

(i) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(ii) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(iii) The term "amount", when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(iv) The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(A) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(B) securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(C) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

(D) securities held in escrow if placed in escrow by the issuer thereof;

provided, however, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(v) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges, provided, however, that in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes and provided, further, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

(e) Except in the case of a default in the payment of the principal of or interest on any Securities of any series or any coupon issued hereunder, or in the payment of any sinking or purchase fund installment, the Trustee shall not be required to resign as provided by subsection (c) of this Section if the Trustee shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that (i) such default may be cured or waived during a reasonable period and under the procedures described in such application, and (ii) a stay of the Trustee's duty to resign will not be inconsistent with the interests of the holders of the Securities of any series issued hereunder. The filing of such an application shall automatically stay the performance of the duty to resign until such Commission orders otherwise. Any resignation of the Trustee shall become effective only upon the appointment of a successor trustee and such successor's acceptance of such appointment as provided in Section 7.11.

(f) If Section 310(b) of the Trust Indenture Act of 1939 is amended at any time after the date of this Indenture to change the circumstances under which a Trustee shall be deemed to have a conflicting interest with respect to the Securities of any series or to change any of the definitions in connection therewith, this Section 7.08 shall be automatically amended to incorporate such changes, unless such changes would cause any Trustee then acting as Trustee hereunder with respect to any Outstanding Securities to be deemed to have a conflicting interest, in which case such changes shall be incorporated herein only to the extent that such changes (i) would not cause the Trustee to be deemed to have a conflicting interest, or (ii) are required by law.

SECTION 7.09. Eligibility of Trustee.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States or of any State or Territory thereof or of the District of Columbia, which (a) is authorized under such laws to exercise corporate trust powers, (b) is subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, (c) shall have at all times a combined capital and surplus of not less than \$5,000,000 and (d) shall not be the Company or any person directly or indirectly controlling, controlled by, or under common control with the Company. If such corporation publishes reports of condition at least annually, pursuant to law, or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation at any time shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 7.10.

SECTION 7.10. Resignation or Removal of Trustee.

(a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign with respect to one or more or all series by giving written notice of resignation to the Company. Upon receiving such notice of resignation the Company shall promptly appoint a successor trustee with respect to the applicable series by written instrument, in duplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor

trustee.

(b) In case at any time any of the following shall occur:

(1) the Trustee shall fail to comply with the provisions of subsection (a) of Section 7.08 with respect to any series of Securities after written request therefor by the Company or by any securityholder who has been a bona fide holder of a Security or Securities of such series for at least six months, or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.09 with respect to any series of Securities and shall fail to resign after written request therefor by the Company or by any such securityholder, or

(3) the Trustee shall become incapable of acting with respect to any series of Securities, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Company may remove the Trustee with respect to the applicable series of Securities and appoint a successor trustee with respect to such series by written instrument, in duplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.14, any securityholder of such series who has been a bona fide holder of a Security or Securities of the applicable series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee with respect to such series. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Securities of all series (voting as one class) at the time Outstanding may at any time remove the Trustee with respect to Securities of all series and appoint a successor trustee with respect to the Securities of all series.

(d) Any resignation or removal of the Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section shall become effective upon the appointment of a successor trustee and the acceptance of appointment by the successor trustee as provided in Section 7.11.

SECTION 7.11. Acceptance by Successor Trustee.

Any successor trustee appointed as provided in Section 7.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee with respect to all or any applicable series shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations with respect to such series of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the predecessor trustee shall, upon payment of any amounts then due it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the predecessor trustee. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing in order more fully and certainly to vest in and confirm to such successor trustee all such rights and powers. Any trustee, including the initial Trustee, ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 7.06.

In case of the appointment hereunder of a successor trustee with respect to the Securities of one or more (but not all) series, the Company, the predecessor Trustee and each successor trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not retiring shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such trustees co-trustees of the same trust and that each such trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such trustee.

No successor trustee shall accept appointment as provided in this Section unless at the time of such acceptance such successor trustee shall be qualified and eligible under the provisions of this Article 7.

Upon acceptance of appointment by a successor trustee as provided in this Section, the Company shall mail notice of the succession of such trustee hereunder to all holders of Securities of any applicable series as the names and addresses of such holders shall appear on the registry books. If the Company fails to mail such notice in the prescribed manner within ten days after the acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be so mailed at the expense of the Company.

SECTION 7.12. Successor by Merger, etc.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be qualified and eligible under the provisions of this Article 7, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 7.13. Limitations on Rights of Trustee as Creditor.

(a) Subject to the provisions of subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company or of any other obligor on the Securities within three months prior to a default, as defined in subsection (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the

benefit of the Trustee individually, the holders of the Securities and the holders of other indenture securities (as defined in subsection (c) of this Section):

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such three months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this subsection or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such three months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(3) to retain for its own account (i) payments made on account of any such claim by any person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities, or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable State law;

(4) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such three months' period;

(5) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default as defined in subsection (c) of this Section would occur within three months; or

(6) to receive payment on any claims referred to in paragraph (4) or (5), against the release of any property held as security for such claim as provided in such paragraph (4) or (5), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (4), (5) and (6), property substituted after the beginning of such three months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such preexisting claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the securityholders and the holders of other indenture securities in such manner that the Trustee, the securityholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, the securityholders and the holders of other indenture securities, dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable State law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership, or proceeding for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee, the securityholders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, the securityholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee who has resigned or been removed after the beginning of such three months' period shall be subject to the provisions of this subsection (a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such three months' period it shall be subject to the provisions of this subsection (a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as trustee, occurred after the beginning of such three months' period; and

(ii) such receipt of property or reduction of claim occurred within three months after such resignation or removal.

(b) There shall be excluded from the operation of subsection (a) of this Section a creditor relationship arising from:

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advance and of the circumstances surrounding the making thereof is given to the securityholders at the time and in the manner provided in this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in subsection (c) of this Section;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25 (a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances, or obligations which fall within the classification of self-liquidating paper as defined in subsection (c) of this Section.

(c) As used in this Section:

(1) The term "default" shall mean any failure to make payment in full of the principal of or interest upon any of the Securities or the other indenture securities when and as such principal or interest becomes due and payable.

(2) The term "other indenture securities" shall mean securities upon which the Company is an obligor (as defined in the Trust Indenture Act of 1939) outstanding under any other indenture (A) under which the Trustee is also trustee, (B) which contains provisions substantially similar to the provisions of subsection (a) of this Section, and (C) under which a default exists at the time of the apportionment of the funds and property held in the special account referred to in such subsection (a).

(3) The term "cash transaction" shall mean any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(4) The term "self-liquidating paper" shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purposes of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(5) The term "Company" shall mean any obligor upon the Securities.

SECTION 7.14. Notice of Default.

Within 90 days after the occurrence of any default on a series of Securities hereunder, the Trustee shall transmit to all securityholders of that series, in the manner and to the extent provided in Section 15.04, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that except in the case of a default in the payment of the principal of or interest on any Security or on the payment of any sinking or purchase fund installment, the Trustee shall be protected in withholding such notice if and so long as the trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the security-holders; and provided, further, that in the case of any default of the character specified in clause (c) of Section 6.01 no such notice to securityholders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 7.15. Appointment of Authenticating Agent.

The Trustee may appoint an authenticating agent or agents (which may be an affiliate or affiliates of the Company) with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue or upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 2.09, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an authenticating agent and a certificate of authentication executed on behalf of the Trustee by an authenticating agent. Each authenticating agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America or of any State or Territory thereof or of the District of Columbia, which (a) is authorized under such laws to exercise corporate trust powers or to otherwise act as authenticating agent, (b) is subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, and (c) shall have at all times a combined capital and surplus of not less than \$5,000,000. If such authenticating agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such authenticating agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an authenticating agent shall cease to be eligible in accordance with the provisions of this Section, such authenticating agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an authenticating agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such authenticating agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of such authenticating agent, shall continue to be an authenticating agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or such authenticating agent.

An authenticating agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an authenticating agent by giving written notice thereof to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such authenticating agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor authenticating agent which shall be acceptable to the Company and shall promptly give notice of such appointment to all holders of Securities in the manner and to the extent provided in Section 15.04. Any successor authenticating agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an authenticating agent. No successor authenticating agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each authenticating agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 7.06.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

The Bank of New York Mellon Trust Company, N.A., as Trustee

By:
Authorized Signatory

If all of the Securities of a series may not be originally issued at one time, and the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing, shall appoint in accordance with this Section an authenticating agent (which, if so requested by the Company, shall be such affiliate of the Company) having an office in a Place of Payment designated by the Company with respect to such series of Securities, provided that the terms and conditions of such appointment are acceptable to the Trustee.

ARTICLE 8

CONCERNING THE SECURITYHOLDERS

SECTION 8.01. Action by Securityholders.

Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Securities of any or all series may take any action (including the making of any demand or request, the giving of any authorization, notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by securityholders in person or by agent or proxy appointed in writing, or (b) if Securities of a series are issuable as Bearer Securities, by the record of the holders of Securities voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of securityholders of such series duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of securityholders.

In determining whether the holders of a specified percentage in aggregate principal amount of the Securities of any or all series have taken any action (including the making of any demand or request, the giving of any authorization, direction, notice, consent or waiver or the taking of any other action), (i) the principal amount of any Original Issue Discount Security that may be counted in making such determination and that shall be deemed to be outstanding for such purposes shall be equal to the amount of the principal thereof that could be declared to be due and payable upon an Event of Default pursuant to the terms of such Original Issue Discount Security at the time the taking of such of such action is evidenced to the Trustee, and (ii) the principal amount of a Security denominated in a foreign currency or currency unit shall be the U.S. dollar equivalent, determined as of the date of original issuance of such Security in accordance with Section 2.03(b) hereof, of the principal amount of such Security.

SECTION 8.02. Proof of Execution by Securityholders.

Subject to the provisions of Section 7.01, 7.02 and 9.05, proof of the execution of any instrument by a securityholder or its agent or proxy, or of the holding by any person of a Security, shall be sufficient and conclusive in favor of the Trustee and the Company if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee.

The principal amount and serial numbers of Registered Securities held by any person, and the date of holding the same, shall be proved by the Security Register. The principal amount and serial numbers of Bearer Securities held by any person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The principal amount and serial numbers of Bearer Securities held by any person, and the date of holding the same, may also be provided in any other manner which the Trustee deems sufficient.

The record of any securityholders' meeting shall be proved in the manner provided in Section 9.06.

SECTION 8.03. Who Are Deemed Absolute Owners.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or of the Trustee may deem the person in whose name such Registered Security shall be registered upon the Security Register to be, and may treat him as, the absolute owner of such Registered Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon), for the purpose of receiving payment of or on account of the principal of (and premium, if any) and, subject to the provisions of Sections 2.05 and 2.07, any interest on such Security and for all other purposes; and neither the Company nor the Trustee nor any agent of the Company or of the Trustee shall be affected by any notice to the contrary. All such payments so made to any holder for the time being, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

Title to any Bearer Security and any coupons appertaining thereto shall pass by delivery. The Company, the Trustee and any agent of the Company or of the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the owner of such Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Security or coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Notwithstanding the foregoing, with respect to any temporary or permanent global Security, nothing herein shall prevent the Company, the Trustee, or any agent of the Company or of the Trustee, from giving effect to any written certification, proxy or other authorization furnished by a Common Depositary or a U.S. Depositary, as the case may be, or impair, as between a Common Depositary or a U.S. Depositary and holders of beneficial interests in any temporary or permanent global Security, as the case may be, the operation of customary practices governing the exercise of the rights of the Common Depositary or the U.S. Depositary as holder of such temporary or permanent global Security.

SECTION 8.04. Company-Owned Securities Disregarded.

In determining whether the holders of the required aggregate principal amount of Securities have provided any request, demand, authorization, notice, direction, consent or waiver under this Indenture, Securities which are owned by the Company or any other obligor on the Securities, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Securities, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Securities and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be afforded full protection to the Trustee.

SECTION 8.05. Revocation of Consents; Future Securityholders Bound.

At any time prior to the taking of any action by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any holder of a Security, the identifying number of which is shown by the evidence to be included in the Securities the holders of which have consented to such action, may, by filing written notice with the Trustee at its office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Security. Except as aforesaid any such action taken by the holder of any Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Security and of any Security issued upon registration of transfer of or in exchange or substitution therefor in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, irrespective of whether or not any notation in regard thereto is made upon such Security. Any action taken by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Securities.

SECTION 8.06. Record Date.

The Company may, but shall not be obligated to, set a record date for purposes of determining the identity of holders of Securities of any series entitled to vote or consent to any action by vote or consent or to otherwise take any action under this Indenture authorized or permitted by Section 6.12 or Section 6.13 or otherwise under this Indenture. Such record date shall be the later of the date 20 days prior to the first solicitation of such consent or vote or other action or the date of the most recent list of holders of such Securities delivered to the principal corporate trust office of the Trustee pursuant to Section 5.01 prior to such solicitation. If such a record date is fixed, those persons who were holders of such Securities at the close of business on such record date shall be entitled to vote or consent or take such other action, or to revoke any such action, whether or not such persons continue to be holders after such record date, and for that purpose the Outstanding Securities shall be computed as of such record date.

ARTICLE 9

SECURITYHOLDERS' MEETINGS

SECTION 9.01. Purposes of Meeting.

A meeting of holders of any or all series of Securities may be called at any time and from time to time pursuant to the provisions of this Article for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive any default hereunder and its consequences, or to take any other action authorized to be taken by securityholders pursuant to any of the provisions of Article 6;

(b) to remove the Trustee and appoint a successor trustee pursuant to the provisions of Article 7;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or

(d) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of the Securities of any or all series, as the case may be, under any other provision of this Indenture or under applicable law.

SECTION 9.02. Call of Meetings by Trustee.

The Trustee may at any time call a meeting of security-holders of any or all series to take any action specified in Section 9.01, to be held at such time and at such place in the Borough of Manhattan, The City of New York as the Trustee shall determine. Notice of every meeting of the securityholders of any or all series, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given in the manner provided in Section 15.04 not less than 20 nor more than 180 days prior to the date fixed for the meeting.

SECTION 9.03. Call of Meetings by Company or Securityholders.

In case at any time the Company, pursuant to a Board Resolution, or the holders of at least 10% in aggregate principal amount of the Securities of any or all series, as the case may be, then Outstanding, shall have requested the Trustee to call a meeting of securityholders of any or all series to take any action authorized in Section 9.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have provided notice of such meeting in the manner provided in Section 15.04 within 30 days after receipt of such request, then the Company or the holders of such Securities in the amount above specified may determine the time and the place in said Borough of Manhattan, The City of New York for such meeting and may call such meeting by giving notice thereof as provided in Section 9.02.

SECTION 9.04. Qualifications for Voting.

To be entitled to vote at any meeting of securityholders a person shall be a holder of one or more Securities of such series Outstanding with respect to which a meeting is being held or a person appointed by an instrument in writing as proxy by such a holder or holders. The only persons who shall be entitled to be present or to speak at any meeting of the securityholders of any series shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 9.05. Regulations.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of securityholders of a series, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it deems fit. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Article 8 and the appointment of any proxy shall be proved in the manner specified in Article 8 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Article 8 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Article 8 or other proof.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by securityholders as provided in Section 9.03, in which case the Company or the securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of the Securities represented at the meeting and entitled to vote.

Subject to the provisions of Sections 8.01 and 8.04, at any meeting each securityholder or proxy shall be entitled to one vote for each \$1,000 (or the U.S. Dollar equivalent thereof in connection with Securities issued in a foreign currency or currency unit) Outstanding principal amount of Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote except as a securityholder or proxy. Any meeting of securityholders duly called pursuant to the provisions of Section 9.02 or 9.03 may be adjourned from time to time, and the meeting may be reconvened without further notice.

SECTION 9.06. Voting.

The vote upon any resolution submitted to any meeting of securityholders shall be by written ballot on which shall be subscribed the signatures of the securityholders or proxies and on which shall be inscribed the identifying number or numbers or to which shall be attached a list of identifying numbers of the Securities held or represented by them. The chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 9.02. The record shall be signed and verified by the chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE 10

SUPPLEMENTAL INDENTURES

SECTION 10.01. Supplemental Indentures without Consent of Securityholders.

Without the consent of any holders of Securities or coupons, the Company, when authorized by or pursuant to Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as in force at the date of the execution thereof) for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, or successive successions, pursuant to Article 11 hereof, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company herein and in the Securities;

(b) to add to the covenants of the Company such further covenants, restrictions, conditions or provisions as its Board of Directors shall consider to be for the protection of the holders of Securities, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth, with such period of grace, if any, and subject to such conditions as such supplemental indenture may provide;

(c) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of or any premium or interest on Bearer Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form, provided that any such action shall not adversely affect the interests of the holders of Securities of any series or any related coupons in any material respect;

(d) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act of 1939, or under any similar Federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939, excluding however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter enacted;

(e) to modify, eliminate or add to any of the provisions of this Indenture, provided that any such change or elimination (i) shall become effective only when there is no Security of any series Outstanding and created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision or (ii) shall not apply to any Security Outstanding;

(f) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provisions contained herein or in any supplemental indenture; to convey, transfer, assign, mortgage or pledge any property to or with the Trustee; or to make such other provisions in regard to matters or questions arising under this Indenture, provided such other provisions shall not adversely or any related coupons affect in any material respect the interests of the holders of the Securities or any related coupons, including provisions necessary or desirable to provide for or facilitate the administration of the trusts hereunder; and

(g) to evidence and provide for the acceptance and appointment hereunder by a successor trustee with respect to the Securities of one or more series and to add or change any provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to Section 7.11.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise. No supplemental indenture shall be effective as against the Trustee unless and until the Trustee has duly executed and delivered the same.

SECTION 10.02. Supplemental Indentures with Consent of Holders.

With the consent (evidenced as provided in Section 8.01) of the holders of not less than 66 2/3% in aggregate principal amount of the Securities of all series at the time Outstanding affected by such supplemental indenture (voting as one class), the Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as in force at the date of the execution thereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Securities of such series and any related coupons under this Indenture; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of any Securities, or reduce the principal amount thereof or premium, if any, or reduce the rate or extend the time of payment of interest thereon, without the consent of the holder of each Security so affected, or (2) reduce the aforesaid percentage of Securities, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Securities then Outstanding.

Upon the request of the Company, accompanied by a copy of a Board Resolution certified by the Secretary or an Assistant Secretary of the Company authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of securityholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Article 10, the Company shall provide notice, in the manner and to the extent provided in Section 15.04, setting forth in general terms the substance of such supplemental indenture, to all holders of Securities of each series so affected. Any failure of the Company so to provide such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 10.03. Compliance with Trust Indenture Act; Effect of Supplemental Indentures.

Any supplemental indenture executed pursuant to the provisions of this Article 10 shall comply with the Trust Indenture Act of 1939, as then in

effect. Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10 and subject to the provisions in any supplemental indenture relating to the prospective application of such instrument, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Securities theretofore or thereafter authenticated and delivered hereunder and of any coupons appertaining thereto shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

The Trustee, subject to the provisions of Sections 7.01 and 7.02, shall be entitled to receive and shall be fully protected in relying upon an Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the provisions of this Article 10.

SECTION 10.04. Notation on Securities.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. New Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered, without charge to the securityholders, in exchange for the Securities of such series then Outstanding.

ARTICLE 11

CONSOLIDATION, MERGER, SALE OR CONVEYANCE

SECTION 11.01. Company May Consolidate, etc., on Certain Terms.

The Company covenants that it will not merge into or consolidate with any other corporation or sell or convey all or substantially all of its assets to any person, firm or corporation, unless (1) either the Company shall be the continuing corporation, or the successor corporation (if other than the Company) shall be a corporation organized and existing under the laws of the United States of America or a state thereof or the District of Columbia and such corporation shall expressly assume the due and punctual payment of the principal of (and premium, if any, on) and any interest on all the Securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (2) the Company or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition.

SECTION 11.02. Successor Corporation Substituted.

In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for, and may exercise every right and power of, the Company, with the same effect as if it had been named herein as the party of the first part. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall make available for delivery any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution thereof.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

SECTION 11.03. Opinion of Counsel and Officers' Certificate to be Given Trustee.

The Trustee shall receive an Opinion of Counsel and Officers' Certificate as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Article 11 and that all conditions precedent herein provided for relating to such transaction have been complied with.

ARTICLE 12

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

SECTION 12.01. Discharge of Indenture.

If at any time

(1) the Company shall have delivered to the Trustee for cancellation all Securities of any series theretofore authenticated and all coupons, if any, appertaining thereto (other than (i) coupons appertaining to Bearer Securities surrendered for exchange for Registered Securities and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 2.07, (ii) Securities and coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.09, (iii) coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date, whose surrender has been waived as provided in Section 3.03, and (iv) Securities and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 4.03), or

(2) all such Securities of such series and, in the case of (1)(i) or (1)(ii) above, any coupons appertaining thereto not theretofore delivered to the Trustee for cancellation (i) shall have become due and payable, or (ii) are by their terms to

become due and payable within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company in the case of (1)(i) or (1)(iii) above shall deposit or cause to be deposited with the Trustee as trust funds the entire amount (other than moneys repaid by the Trustee or any paying agent to the Company in accordance with Section 12.04) sufficient to pay at maturity or upon redemption all Securities of such series and coupons not therefore delivered to the Trustee for cancellation, including principal (and premium, if any) and any interest due or to become due to such date of maturity or date fixed for redemption, as the case may be,

and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company with respect to such series, then this Indenture shall cease to be of further effect with respect to the Securities of such series, and the Trustee, on demand of and at the cost and expense of the Company and subject to Section 15.05, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture with respect to the Securities of such series. The Company agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Securities of such series. Notwithstanding the satisfaction and discharge of this Indenture with respect to the Securities of any series or of all series, the obligations of the Company to the Trustee under Section 7.06 shall survive.

The Company will deliver to the Trustee an Officers' Certificate and an Opinion of Counsel which together shall state that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

SECTION 12.02. Deposited Moneys to be Held in Trust by Trustee.

Subject to the provisions of the last paragraph of Section 4.03, all moneys deposited with the Trustee pursuant to Section 12.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company acting as its own paying agent), to the persons entitled thereto, of all sums due and to become due thereon for principal and interest (and premium, if any) for which payment of such money has been deposited with the Trustee.

SECTION 12.03. Paying Agent to Repay Moneys Held.

In connection with the satisfaction and discharge of this Indenture with respect to Securities of any series and the payment of all amounts due to the Trustee under Section 7.06, all moneys with respect to such Securities then held by any paying agent under the provisions of this Indenture shall, upon demand of the Company, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 12.04. Return of Unclaimed Moneys.

Any moneys deposited with or paid to the Trustee or any paying agent for the payment of the principal of (and premium, if any) or interest on any Security and not applied but remaining unclaimed for two years after the date upon which such principal (and premium, if any, on) or interest shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on demand, and the holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for any payment which such holder may be entitled to collect and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease.

ARTICLE 13

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 13.01. Indenture and Securities Solely Corporate Obligations.

No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security or coupon, or because of any indebtedness evidenced thereby, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities or coupons by the holders thereof and as part of the consideration for the issue of the Securities.

ARTICLE 14

DEFEASANCE AND COVENANT DEFEASANCE

SECTION 14.01. Applicability of Article.

Unless, as specified pursuant to Section 2.03(b), provision is made that either or both of (a) defeasance of the Securities of a series under Section 14.02 and (b) covenant defeasance of the Securities of a series under Section 14.03 shall not apply to the Securities of a series, then the provisions of such Section 14.02 and Section 14.03, together with Sections 14.04 and 14.05, shall be applicable to the Outstanding Securities of all series upon compliance with the conditions set forth below in this Article 14.

SECTION 14.02. Defeasance and Discharge.

Subject to Section 14.05, the Company may cause itself to be discharged from its obligations with respect to the Outstanding Securities of any series on and after the date the conditions precedent set forth below are satisfied but subject to satisfaction of the conditions subsequent set forth below (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities of such series and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of holders of Outstanding Securities of such series to receive, solely from the trust fund described in Section 14.04 and as more fully set forth in such Section, payments of the principal of and any premium and interest on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 2.07, 2.08, 2.09, 4.02 and 4.03 and such obligations as shall be ancillary thereto, (C) the rights, powers, trusts, duties, immunities and other provisions in respect of the Trustee hereunder and (D) this Article 14. Subject to compliance with this Article 14, defeasance with respect to Securities of a series by the Company is permitted under this Section 14.02 notwithstanding the prior exercise of its rights under Section 14.03 with respect to the Securities of such series. Following a defeasance, payment of the Securities of such series may not be accelerated because of an Event of Default.

SECTION 14.03. Covenant Defeasance.

The Company may cause itself to be released from its obligations under any Sections applicable to Securities of a series that are determined pursuant to Section 2.03(b) to be subject to this provision with respect to the Outstanding Securities of such series on and after the date the conditions precedent set forth below are satisfied but subject to satisfaction of the conditions subsequent set forth below (hereinafter, "covenant defeasance"). For this purpose, such covenant defeasance means that, with respect to the Outstanding Securities of such series, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section, whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document, but the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 14.04. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions precedent or, as specifically noted below, subsequent to application of either Section 14.02 or Section 14.03 to the Outstanding Securities of such series:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the holders of such Securities, (A) money in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, without reinvestment, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (i) the principal of and any premium and interest on the Outstanding Securities of such series to maturity or redemption, as the case may be, and (ii) any mandatory sinking fund payments or analogous payments applicable to the Outstanding Securities of such series on the due dates thereof. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article 3 which shall be given effect in applying the foregoing. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt;

(2) No Default, or event which after notice or lapse of time, or both, would become a Default with respect to the Securities of such series, shall have happened and be continuing (A) on the date of such deposit or (B) insofar as subsections 6.01(a) and (b) are concerned, at any time during the period ending on the 123rd day after the date of such deposit or, if longer, ending on the day following the expiration of the longest preference period applicable to the Company in respect of such deposit (it being understood that the condition in this clause (B) is a condition subsequent and shall not be deemed satisfied until the expiration of such period);

(3) Such defeasance or covenant defeasance shall not (A) cause the Trustee for the Securities of such series to have a conflicting interest as defined in Section 7.08 or for purposes of the Trust Indenture Act of 1939 with respect to any securities of the Company or (B) result in the trust arising from such deposit to constitute, unless it is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended;

(4) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(5) Such defeasance or covenant defeasance shall not cause any Securities of such series then listed on any registered national securities exchange under the Exchange Act to be delisted;

(6) In the case of a defeasance under Section 14.02, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the Outstanding Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(7) In the case of covenant defeasance under Section 14.03, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of the Outstanding Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(8) Such defeasance or covenant defeasance shall be effected in compliance with any additional terms, conditions or limitations which may be imposed on the Company in connection therewith pursuant to Section 2.03(b); and

(9) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent and subsequent provided for in this Indenture relating to either the defeasance under Section 14.02 or the covenant defeasance under Section 14.03, as the case may be, have been complied with.

SECTION 14.05. Deposited Money and U.S. Government Obligations to be Held in Trust; Other Miscellaneous Provisions.

All money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 14.04 in respect of the Outstanding Securities of such series shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any paying agent (but not including the Company acting as its own paying agent) as the Trustee may determine, to the holders of such Securities of all sums due and to become due thereon in respect of principal and any premium and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the money or U.S. Government Obligations deposited pursuant to Section 14.04 or the principal and interest received in respect thereof.

Anything herein to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 14.04 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance, provided that the Trustee shall not be required to liquidate any U.S. Government Obligations in order to comply with the provisions of this paragraph.

Anything herein to the contrary notwithstanding, if and to the extent the deposited money or U.S. Government Obligations (or the proceeds thereof) either (i) cannot be applied by the Trustee in accordance with this Section because of a court order or (ii) are for any reason insufficient in amount, then the Company's obligations to pay principal of and any premium and interest on the Securities of such series shall be reinstated to the extent necessary to cover the deficiency on any due date for payment. In any such case, the Company's interest in the deposited money and U.S. Government Obligations (and proceeds thereof) shall be reinstated to the extent the Company's payment obligations are reinstated.

ARTICLE 15

MISCELLANEOUS PROVISIONS

SECTION 15.01. Benefits of Indenture Restricted to Parties and Securityholders.

Nothing in this Indenture or in the Securities, expressed or implied, shall give or be construed to give to any person, firm or corporation, other than the parties hereto and their successors and assigns and the holders of the Securities, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and assigns and the holders of the Securities.

SECTION 15.02. Provisions Binding on Company's Successors.

All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 15.03. Addresses for Notices, etc., to Company and Trustee.

Any notice or demand which by any provisions of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities to or on the Company may be given or served by postage prepaid first class mail addressed (until another address is filed by the Company with the Trustee), as follows: Raymond James Financial, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716, Attn: General Counsel. Any notice, direction, request or demand by any securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the principal corporate trust office of the Trustee as set forth in Section 4.02.

SECTION 15.04. Notice to Holders of Securities; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for notice of holders of Securities of any event,

(1) such notice shall be sufficiently given to holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each holder of a Registered Security affected by such event, at the address of such holder as it appears in the Security Register, not earlier than the earliest date, and not later than the latest date, prescribed for the giving of such notice; and

(2) such notice shall be sufficiently given to holders of Bearer Securities if published in an Authorized Newspaper in The City of New York and in such other city or cities as may be specified in such Securities on a Business Day at least twice, the first such publication to be not earlier than the earliest date, and not later than the latest date, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to holders of Registered Securities by mail, then such notification as shall be made with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder. In any case where notice to holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular holder of a Registered Security shall affect the sufficiency of such notice with respect to other holders of Registered Securities or the sufficiency of any notice to holders of Bearer Securities given as provided herein.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to holders of Bearer Securities as provided above, then such notification as shall be given with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder. Neither the failure to give notice by publication to holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice to holders of Registered Securities given as provided herein.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by holders of Securities shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

SECTION 15.05. Evidence of Compliance with Conditions Precedent.

Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each Officer's Certificate and Opinion of Counsel provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 15.06. Legal Holidays.

In any case where the date of maturity of interest on or principal of the Securities or the date fixed for redemption of any Securities shall be a Saturday or Sunday or a legal holiday in New York, New York or St. Petersburg, Florida or in such other place or places as the Company may designate pursuant to Section 4.02, or a day on which banking institutions in The City of New York or St. Petersburg, Florida or in such other place or places are authorized by law or required by executive order to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 15.07. Trust Indenture Act to Control.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included in this Indenture by any of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

SECTION 15.08. Execution in Counterparts.

This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 15.09. Governing Law.

This Indenture and each Security shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance with the laws of said State.

SECTION 15.10. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

The Trustee, by its execution of this Indenture, hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, RAYMOND JAMES FINANCIAL, INC. has caused this Indenture to be signed and acknowledged by its Chairman of the Board or its President or one of its Vice Presidents; and The Bank of New York Mellon Trust Company, N.A. has caused this Indenture to be signed and acknowledged by one of its Vice Presidents, all as of the day and year first above written.

RAYMOND JAMES FINANCIAL, INC.

By:/s/ Jeffrey P. Julien_____

Name: Jeffrey P. Julien

Title: Senior Vice President and

Chief Financial Officer

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:/s/ Tina D. Gonzalez _____

Name: Tina D. Gonzalez

Title: Vice President

EXHIBIT A

[FORMS OF CERTIFICATION]

EXHIBIT A.1

[FORM OF CERTIFICATE TO BE GIVEN BY

PERSON ENTITLED TO RECEIVE (1) BEARER SECURITY,

SECURITY INITIALLY REPRESENTED BY A TEMPORARY GLOBAL

SECURITY OR (3) INTEREST ON A TEMPORARY GLOBAL SECURITY]

CERTIFICATE

[Insert title or sufficient description of Securities]

This is to certify that the above-captioned Securities are being acquired by or on behalf of, (or for offer to resell or for resale to), and if this certificate is being delivered in connection with a payment of interest, were beneficially owned by or on behalf of, (a) a person (other than a financial institution for purposes of resale during the restricted period) who is not a United States person; or (b) a United States person (other than a financial institution for purposes of resale during the restricted period) who is (i) a foreign branch of a United States financial institution or (ii) a United States person acquiring such Securities through the foreign branch of a United States financial institution and who for purposes of this certification holds such Securities through such financial institution on the date hereof, and, in the case of either (i) or (ii), such United States financial institution has agreed, for the benefit of the Company, to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as from time to time amended, and the regulations thereunder; or (c) a financial institution for purposes of resale during the restricted period and such financial institution has not acquired such Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions. If the undersigned is a clearing organization, the undersigned has obtained a similar certificate from its member organizations on which this certificate is based; provided, however, that if the undersigned has actual knowledge that the information contained in such a certificate is false (and, absent documentary evidence that the beneficial owner of such Security is not a United States person, it will be deemed to have actual knowledge that such certificate is false if it has a United States address for such beneficial owner, other than a financial institution described above), the undersigned will not deliver a Security in temporary or definitive bearer form to the person who signed such certificate notwithstanding the delivery of such certificate to the undersigned.

As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States Federal income taxation regardless of its source, "United States" means the United States of America (including the States and the District of Columbia), "possessions" of the United States include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands, "restricted period" means the period described in Section 1.163-5(c)(2)(i)(D)(7) of the Treasury Regulations and "financial institution" means the persons described in Section 1.165-12(c)(1)(v) of the Treasury Regulations.

We undertake to advise you by telex if the above statement as to beneficial ownership is not correct on the date of delivery of the above-captioned Securities or on the interest payment date with respect to the above-captioned Securities, as the case may be, as to all of such Securities.

We understand that this certificate may be required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated: _____, 20__

[To be dated on or after

_____, 20__ (the

date determined as provided in the

Indenture)]

[Name of Person Entitled to Receive

Bearer Security or Interest]

(Authorized Signatory)

Name:

Title:

EXHIBIT A.2

[FORM OF CERTIFICATE TO BE GIVEN BY EUROCLEAR

AND CLEARSTREAM, LUXEMBOURG IN CONNECTION WITH THE EXCHANGE OF A PORTION OF A TEMPORARY GLOBAL SECURITY]

CERTIFICATE

[Insert title or sufficient description

of Securities to be delivered]

This is to certify that, based on certificates we have received from each of the persons appearing in our records as persons entitled to a portion of _____ principal amount of the above-captioned Securities (our "Qualified Account Holders") substantially in the form set out in Exhibit A.1 to the Indenture relating to the above-captioned Securities, such principal amount of Securities (a) is owned by a person (other than a financial institution for purposes of resale during the restricted period) who is not a United States person; (b) is owned by a United States person (other than a financial institution for purposes of resale during the restricted period) who is (i) a foreign branch of a United States financial institution or (ii) a United States person who acquired such Securities through the foreign branch of a United States financial institution and who for purposes of this certification holds such Securities through such financial institution on the date hereof and, in either case, such United States financial institution has agreed, for the benefit of the Company, to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as from time to time amended, and the regulations thereunder; or (c) is owned by a financial institution for purposes of resale during the restricted period and such financial institution has certified that it has not acquired such Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

To the extent that we have knowledge that any of such certificates from a Qualified Account Holder is false and to the extent that we have not received with respect to any Securities such certificates from Qualified Account Holders, we are not submitting for exchange any portion of the temporary global Security attributable thereto.

We further certify that as of the date hereof we have not received any notification from any of our Qualified Account Holders to the effect that the statements made by such Qualified Account Holders with respect to any portion of the part submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States Federal income taxation regardless of its source, "United States" means the United States of America (including the States and the District of Columbia), "possessions" of the United States include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands, "restricted period" means the period described in Section 1.163-5(c)(2)(i)(D)(7) of the Treasury Regulations and "financial institution" means the persons described in Section 1.165-12(c)(1)(v) of the Treasury Regulations.

We understand that this certificate is required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated: _____, 20__

[To be dated no earlier than the
Exchange Date]

[Morgan Guaranty Trust

Company of New York, Brussels

Office, as Operator of the

Euroclear System]

Clearstream Banking, société anonyme

By:

EXHIBIT A.3

[FORM OF CERTIFICATE TO BE GIVEN BY EUROCLEAR

AND CLEARSTREAM, LUXEMBOURG TO OBTAIN INTEREST]

CERTIFICATE

[Insert title or sufficient description of Securities]

This is to certify that interest payable on the interest payment date[s] on [insert date(s)] will be paid with respect to _____ principal amount of the above-captioned Securities with respect to which we have received from the persons appearing in our records as being entitled to interest payable on such date (our "Qualified Account Holders") certificates substantially in the form set out in Exhibit A.1 to the Indenture relating to the above-captioned Securities that such Securities (a) are owned by a person (other than a financial institution for purposes of resale during the restricted period) who is not a United States person; (b) are owned by a United States person (other than a financial institution for purposes of resale during the restricted period) who is (i) a foreign branch of a United States financial institution or (ii) a United States person who acquired such Securities through the foreign branch of a United States financial institution and who for purposes of this certification holds such Securities through such financial institution on the date hereof and, in either case, such United States financial institution has agreed, for the benefit of the Company, to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as from time to time amended, and the regulations thereunder; or (c) are owned by a financial institution for purposes of resale during the restricted period and such financial institution has certified that it has not acquired such Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

To the extent that we have knowledge that any of such certificates from a Qualified Account Holder is false and to the extent that we have not received with respect to any Securities such certificates from Qualified Account Holders, we are not requesting that payment be made for interest with respect thereto.

We further certify that as of the date hereof we have not received any notification from any of our Qualified Account Holders to the effect that the statements made by such Qualified Account Holders with respect to any interest payment on any portion of the principal amount of the Securities referred to above are no longer true and cannot be relied upon as of the date hereof.

We undertake that any interest received by us and not paid as provided above shall be returned to the Trustee for the above-captioned Securities immediately prior to the expiration of two years after such interest payment date in order to be repaid by such Trustee to the above issuer at the end of two years after such interest payment date.

As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States Federal income taxation regardless of its source, "United States" means the United States of America (including the States and the District of Columbia), "possessions" of the United States include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands, "restricted period" means the period described in Section 1.163-5(c)(2)(i)(D)(7) of the Treasury Regulations and "financial institution" means the persons described in Section 1.165-12(c)(1)(v) of the Treasury Regulations.

We understand that this certificate is required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated: _____, 20__

[To be dated on or after the most
recent relevant interest payment
date]

[Morgan Guaranty Trust

Company of New York, Brussels

Office, as Operator of the

Euroclear System]

Clearstream Banking, société anonyme

By:

Exhibit 12.1

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(in thousands, except ratio of earnings to fixed charges and preferred stock dividends)

	Nine Months Ended June 30,		Year Ended September 30,				
	2009	2008	2008	2007	2006	2005	2004
Earnings:							
Income before income taxes	\$186,891	\$303,693	\$386,854	\$392,224	\$342,066	\$247,971	\$204,121
Fixed charges	59,835	339,317	409,300	514,543	309,759	129,894	59,917
Less: Preferred stock dividends	-	-	-	-	-	-	-
Earnings	\$246,726	\$643,010	\$796,154	\$906,767	\$651,825	\$377,865	\$264,038
Fixed charges:							
Interest expense	\$46,088	\$325,535	\$392,229	\$499,664	\$296,670	\$117,789	\$48,517
Estimated interest portion within rental expense	13,747	13,782	17,071	14,879	13,089	12,105	11,400
Preferred stock dividends	-	-	-	-	-	-	-
Total fixed charges	\$59,835	\$339,317	\$409,300	\$514,543	\$309,759	\$129,894	\$59,917
Ratio of earnings to fixed charges and preferred stock dividends	4.12	1.90	1.95	1.76	2.10	2.91	4.41

The Company calculates its ratio of earnings to fixed charges and preferred stock dividends by adding income before income taxes plus fixed charges minus preferred stock dividends and dividing that sum by its fixed charges. The Company's fixed charges for this ratio consist of interest expense, the portion of its rental expense deemed to represent interest (calculated as one third of rental expense) and preferred stock dividends.

FORM T-1

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

STATEMENT OF ELIGIBILITY

UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE

ELIGIBILITY OF A TRUSTEE PURSUANT TO

SECTION 305(b)(2) ☐

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

(Exact name of trustee as specified in its charter)

(State of incorporation
if not a U.S. national bank)
700 South Flower Street, Suite 500,
Los Angeles, California
(Address of principal executive offices)

95-3571558
(I.R.S. employer
identification no.)
90017
(Zip code)

(Exact name of obligor as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)
880 Carillon Parkway
St. Petersburg, FL
(Address of principal executive offices)

59-1517485
(I.R.S. employer identification no.)
33716
(Zip code)

Senior Debt Securities

(Title of the indenture securities)

General information. Furnish the following information as to the Trustee:

Name and address of each examining or supervising authority to which it is subject.	
Name	Address
Comptroller of the Currency	
United States Department of the Treasury	Washington, D.C. 20219
Federal Reserve Bank of San Francisco	San Francisco, California 94105
Federal Deposit Insurance Corporation	Washington, D.C. 20429

Whether it is authorized to exercise corporate trust powers.

Yes.

Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

A copy of the articles of association of The Bank of New York Trust Company, N.A. (Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121948).

A copy of certificate of authority of the trustee to commence business. (Exhibit 2 to Form T-1 filed with Registration Statement No. 333-121948).

A copy of the authorization of the trustee to exercise corporate trust powers. (Exhibit 3 to Form T-1 filed with Registration Statement No. 333-121948).

A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-121948.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-121948.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York Mellon Trust Company, N.A., a banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of Jacksonville, and State of Florida, on the ____ day of July, 2009.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Assistant Vice President

Report of Condition

consolidating domestic subsidiaries of
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
in the state of California at the close of business on March 31, 2009

Published in accordance with Federal regulatory authority instructions.

Statement of Resources and Liabilities

Dollar Amounts
in Thousands

ASSETS

Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	1,267
Interest-bearing balances	88,233
Securities:	
Held-to-maturity securities	22
Available-for-sale securities	444,137
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables:	
Loans and leases held for sale	0
Loans and leases, net of unearned income	0
LESS: Allowance for loan and lease losses	0
Loans and leases, net of unearned income and allowance	0
Trading assets	0
Premises and fixed assets (including capitalized leases)	12,131
Other real estate owned	0
Investments in unconsolidated subsidiaries and associated companies	1
Not applicable	
Intangible assets:	
Goodwill	876,153
Other intangible assets	265,381
Other assets	153,750
Total assets	\$ 1,841,075

LIABILITIES

Deposits:	
In domestic offices	1,807
Noninterest-bearing	1,807
Interest-bearing	0
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money:	
(includes mortgage indebtedness and obligations under capitalized leases)	268,691
Subordinated notes and debentures	0
Other liabilities	174,621
Total liabilities	445,119

EQUITY CAPITAL

Bank Equity Capital:	
Perpetual preferred stock and related surplus	0
Common stock	1,000
Surplus (exclude all surplus related to preferred stock)	1,121,520
Retained earnings	269,980
Accumulated other comprehensive income	3,456
Other equity capital components	0
Total bank equity capital	1,395,956
Minority interest in consolidated subsidiaries	0
Total equity capital	1,395,956
Total liabilities, minority interest, and equity capital	1,841,075

I, Karen Bayz, Vice President of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Karen Bayz) Vice President

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

Troy Kilpatrick, Managing Director)
 Frank Sulzberger, Managing Director) Directors
 William Lindelof, Vice President)

EXHIBIT 31.1

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 10, 2009

/s/ THOMAS A. JAMES
Thomas A. James
Chairman and Chief Executive Officer

EXHIBIT 31.2

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 10, 2009

/s/ JEFFREY P. JULIEN
Jeffrey P. Julien
Senior Vice President – Finance
and Chief Financial Officer

Exhibit 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**

In connection with the Quarterly Report of Raymond James Financial, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2009 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 10, 2009

/s/ THOMAS A. JAMES

Thomas A. James
Chief Executive Officer

Exhibit 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**

In connection with the Quarterly Report of Raymond James Financial, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2009 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 10, 2009

/s/ JEFFREY P. JULIEN
Jeffrey P. Julien
Chief Financial Officer