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## Raymond James Financial Electronic EDGAR Proof

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### Documents

10-Q	q100611.htm
	063011_10Q
EX-10.18	secorder.htm
	Exhibit 10.18 SEC Order
EX-10.19	stateoffloridaorder.htm
	Exhibit 10.19 State of Florida Order
EX-10.20	stateoftexasorder.htm
	Exhibit 10.20 State of Texas Order
EX-12.1	ex12_1.htm
	COMPUTATION OF RATIO OF EARNINGS
EX-31.1	ex31_1.htm
	CEO CERTIFICATION
EX-31.2	ex31_2.htm
	CFO CERTIFICATION
EX-32	ex32.htm
	CEO/CFO SARBOX CERTIFICATION
10-Q	submissionpdf.pdf
	PDF
EX-101.INS	rjf-20110630.xml
	XBRL INSTANCE DOCUMENT
EX-101.SCH	rjf-20110630.xsd
	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.CAL	rjf-20110630_cal.xml
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EX-101.DEF	rjf-20110630_def.xml
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EX-101.PRE	rjf-20110630_pre.xml
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### Module and Segment References

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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, 2011

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.

126,613,096 shares of Common Stock as of August 4, 2011

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter ended June 30, 2011

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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)**

	<u>June 30, 2011</u>	<u>September 30, 2010</u>
	(\$ in thousands)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,598,688	\$ 2,943,239
Assets segregated pursuant to regulations and other segregated assets	2,498,212	3,430,715
Securities purchased under agreements to resell and other collateralized financings	470,407	344,652
Financial instruments, at fair value:		
Trading instruments	575,077	591,447
Available for sale securities	324,129	424,461
Private equity and other investments	321,800	321,079
Receivables:		
Brokerage clients, net	1,812,010	1,675,535
Stock borrowed	307,281	262,888
Bank loans, net	6,252,094	6,094,929
Brokers-dealers and clearing organizations	176,187	143,994
Other	524,489	442,856
Deposits with clearing organizations	76,639	76,488
Prepaid expenses and other assets	408,636	451,357
Investments in real estate partnerships - held by variable interest entities	320,480	280,890
Property and equipment, net	172,346	170,768
Deferred income taxes, net	206,710	165,208
Goodwill	71,924	62,575
<b>Total assets</b>	<b>\$ 16,117,109</b>	<b>\$ 17,883,081</b>
<b>Liabilities and equity:</b>		
Trading instruments sold but not yet purchased, at fair value	\$ 195,793	\$ 131,038
Securities sold under agreements to repurchase	64,988	233,346
Payables:		
Brokerage clients	3,728,946	3,308,115
Stock loaned	707,802	698,668
Bank deposits	6,944,458	7,079,718
Brokers-dealers and clearing organizations	100,178	137,041
Trade and other	361,547	290,268
Other borrowings	-	2,557,000
Accrued compensation, commissions and benefits	436,948	418,591
Loans payable related to investments by variable interest entities in real estate partnerships	98,562	76,464
Corporate debt	612,648	355,964
<b>Total liabilities</b>	<b>13,251,870</b>	<b>15,286,213</b>
<b>Commitments and contingencies (See Note 13)</b>		
<b>Equity</b>		
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 130,370,735 at June 30, 2011 and 128,620,429 at September 30, 2010	1,267	1,244
Shares exchangeable into common stock; -0- at June 30, 2011 and 243,048 at September 30, 2010	-	3,119
Additional paid-in capital	553,920	476,359
Retained earnings	2,074,315	1,909,865
Treasury stock, at cost; 3,798,214 common shares at June 30, 2011 and 3,918,492 common shares at September 30, 2010	(81,741)	(81,574)
Accumulated other comprehensive income	10,903	(6,197)
<b>Total equity attributable to Raymond James Financial, Inc.</b>	<b>2,558,664</b>	<b>2,302,816</b>
Noncontrolling interests	306,575	294,052
<b>Total equity</b>	<b>2,865,239</b>	<b>2,596,868</b>
<b>Total liabilities and equity</b>	<b>\$ 16,117,109</b>	<b>\$ 17,883,081</b>

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

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND**  
**COMPREHENSIVE INCOME (Unaudited)**

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
	(\$ in thousands, except per share amounts)			
<b>Revenues:</b>				
Securities commissions and fees	\$ 551,337	\$ 505,246	\$ 1,649,186	\$ 1,453,699
Investment banking	64,518	41,914	186,618	112,471
Investment advisory fees	55,016	44,512	160,069	131,066
Interest	95,832	92,780	297,029	277,427
Net trading profits	7,529	3,047	29,097	24,854
Financial service fees	38,954	41,524	121,637	117,231
Other	55,026	34,589	121,653	99,520
<b>Total revenues</b>	<b>868,212</b>	<b>763,612</b>	<b>2,565,289</b>	<b>2,216,268</b>
Interest expense	17,825	16,239	49,016	47,489
Net revenues	850,387	747,373	2,516,273	2,168,779
<b>Non-interest expenses:</b>				
Compensation, commissions and benefits	575,726	513,676	1,707,197	1,482,174
Communications and information processing	36,156	29,995	103,681	90,514
Occupancy and equipment costs	27,140	26,679	80,142	79,286
Clearance and floor brokerage	10,277	9,480	29,641	26,810
Business development	24,800	18,878	71,565	59,373
Investment sub-advisory fees	7,703	6,988	22,474	20,373
Bank loan loss provision	8,363	17,098	28,232	59,870
Loss provision for auction rate securities	45,000	-	45,000	-
Other	34,143	29,232	96,278	93,711
<b>Total non-interest expenses</b>	<b>769,308</b>	<b>652,026</b>	<b>2,184,210</b>	<b>1,912,111</b>
Income including noncontrolling interests and before provision for income taxes	81,079	95,347	332,063	256,668
Provision for income taxes	31,881	36,824	125,992	97,337
Net income including noncontrolling interests	49,198	58,523	206,071	159,331
Net income (loss) attributable to noncontrolling interests	2,412	(2,164)	(3,355)	113
Net income attributable to Raymond James Financial, Inc.	\$ 46,786	\$ 60,687	\$ 209,426	\$ 159,218
Net income per common share-basic	\$ 0.37	\$ 0.49	\$ 1.66	\$ 1.28
Net income per common share-diluted	\$ 0.37	\$ 0.48	\$ 1.65	\$ 1.28
Weighted-average common shares outstanding-basic	123,238	119,622	122,200	119,180
Weighted-average common and common equivalent shares outstanding-diluted	123,958	120,019	122,689	119,456
Net income attributable to Raymond James Financial, Inc.	\$ 46,786	\$ 60,687	\$ 209,426	\$ 159,218
Other comprehensive income, net of tax: <sup>(1)</sup>				
Change in unrealized (loss) gain on available for sale securities and non-credit portion of other-than-temporary impairment losses	(26)	5,965	6,895	24,259
Change in currency translations	998	(7,516)	10,205	(21)
<b>Total comprehensive income</b>	<b>\$ 47,758</b>	<b>\$ 59,136</b>	<b>\$ 226,526</b>	<b>\$ 183,456</b>
<b>Other-than-temporary impairment:</b>				
Total other-than-temporary impairment, net	\$ (2,680)	\$ (2,264)	\$ (4,064)	\$ (19,642)
Portion of losses (recoveries) recognized in other comprehensive income (before taxes)	425	(251)	(3,589)	11,689
Net impairment losses recognized in other revenue	\$ (2,255)	\$ (2,515)	\$ (7,653)	\$ (7,953)

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

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



**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**

	Nine months ended June 30,	
	2011	2010
	(\$ in thousands)	
<b>Common stock, par value \$.01 per share:</b>		
Balance, beginning of year	\$ 1,244	\$ 1,227
Issued <sup>(1)</sup>	23	7
Balance, end of period	1,267	1,234
<b>Shares exchangeable into common stock:</b>		
Balance, beginning of year	3,119	3,198
Exchanged <sup>(1)</sup>	(3,119)	(18)
Balance, end of period	-	3,180
<b>Additional paid-in capital:</b>		
Balance, beginning of year	476,359	416,662
Employee stock purchases	7,116	7,292
Exercise of stock options and vesting of restricted stock units, net of forfeitures	32,281	10,760
Restricted stock, stock option and restricted stock unit expense	30,412	30,489
Excess tax benefit from share-based payments	460	(137)
Issuance of stock as consideration for acquisition	4,011	-
Other <sup>(1)</sup>	3,281	1,909
Balance, end of period	553,920	466,975
<b>Retained earnings:</b>		
Balance, beginning of year	1,909,865	1,737,591
Net income attributable to Raymond James Financial, Inc.	209,426	159,218
Cash dividends	(49,346)	(42,200)
Other	4,370	1
Balance, end of period	2,074,315	1,854,610
<b>Treasury stock:</b>		
Balance, beginning of year	(81,574)	(84,412)
Purchases/Surrenders	(6,662)	(3,362)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	1,991	(1,268)
Issuance of stock as consideration for acquisition	4,504	-
Balance, end of period	(81,741)	(89,042)
<b>Accumulated other comprehensive income: <sup>(2)</sup></b>		
Balance, beginning of year	(6,197)	(41,803)
Net unrealized gain on available for sale securities and non-credit portion of other-than-temporary impairment losses <sup>(3)</sup>	6,895	24,259
Net change in currency transactions	10,205	(21)
Balance, end of period	10,903	(17,565)
<b>Total equity attributable to Raymond James Financial, Inc.</b>	<b>\$ 2,558,664</b>	<b>\$ 2,219,392</b>
<b>Noncontrolling interests:</b>		
Balance, beginning of year	\$ 294,052	\$ 200,676
Net (loss) income attributable to noncontrolling interests	(3,355)	113
Capital contributions	33,576	48,153
Distributions	(9,541)	(2,276)
Other	(8,157)	(138)
Balance, end of period	306,575	246,528
<b>Total Equity</b>	<b>\$ 2,865,239</b>	<b>\$ 2,465,920</b>

(1) During the nine months ended June 30, 2011, 243,000 exchangeable shares were exchanged for common stock on a one-for-one basis.

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

(3) Net of tax.

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

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Nine months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
	(in thousands)	
<b>Cash flows from operating activities:</b>		
Net income attributable to Raymond James Financial, Inc.	\$ 209,426	\$ 159,218
Net (loss) income attributable to noncontrolling interests	(3,355)	113
Net income including noncontrolling interests	206,071	159,331
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	30,330	29,354
Deferred income taxes	(43,242)	(35,565)
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(11,758)	(13,205)
Provisions for loan losses, legal proceedings, bad debts and other accruals	44,125	84,283
Stock-based compensation expense	32,969	32,042
Loss provision for auction rate securities	45,000	-
Other	20,017	24,172
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	934,240	72,128
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	(294,113)	55,163
Stock loaned, net of stock borrowed	(35,259)	419,494
Brokerage client receivables and other accounts receivable, net	(244,615)	(111,902)
Trading instruments, net	99,634	(150,936)
Prepaid expenses and other assets	(17,522)	(25,886)
Brokerage client payables and other accounts payable	383,015	(595,073)
Accrued compensation, commissions and benefits	17,034	8,841
Purchase and origination of loans held for sale, net of proceeds from sale of securitizations and loans held for sale	(73,999)	66,846
Excess tax benefits from stock-based payment arrangements	(1,772)	(683)
Net cash provided by operating activities	1,090,155	18,404
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(28,170)	(17,979)
(Increase) decrease in loans, net	(114,152)	351,926
Redemption of Federal Home Loan Bank stock, net	42,811	-
Sales (purchases) of private equity and other investments, net	10,503	(19,294)
Decrease in securities purchased under agreements to resell	-	2,000,000
Acquisition of controlling interest in subsidiary	(6,354)	-
Purchases of available for sale securities	(2,328)	-
Available for sale securities maturations and repayments	92,049	115,215
Sales of available for sale securities	13,767	-
Investments in real estate partnerships held by variable interest entities, net of other investing activity	(12,048)	(12,318)
Net cash (used in) provided by investing activities	(3,922)	2,417,550
<b>Cash flows from financing activities:</b>		
Proceeds from borrowed funds, net	249,498	14,808
Repayments of borrowings, net	(2,560,493)	(932,290)
Repayments of borrowings by variable interest entities which are real estate partnerships	(23,679)	(16,995)
Proceeds from capital contributed to variable interest entities which are real estate partnerships	32,912	39,809
Exercise of stock options and employee stock purchases	40,643	15,698
Decrease in bank deposits	(135,260)	(2,953,660)
Purchase of treasury stock	(6,998)	(3,362)
Dividends on common stock	(49,346)	(42,200)
Excess tax benefits from stock-based payment arrangements	1,772	683
Net cash used in financing activities	(2,450,951)	(3,877,509)
Currency adjustment:		
Effect of exchange rate changes on cash	1,801	1,666
Net decrease in cash and cash equivalents	(1,362,917)	(1,439,889)
Increase in cash resulting from the consolidation of an acquired entity and the acquisition of a controlling interest in a subsidiary	18,366	-
Cash and cash equivalents at beginning of year	2,943,239	2,306,085
Cash and cash equivalents at end of period	\$ 1,598,688	\$ 866,196
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 36,187	\$ 34,492
Cash paid for income taxes	\$ 154,275	\$ 121,118
Non-cash transfers of loans to other real estate owned	\$ 12,157	\$ 32,947

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

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
**June 30, 2011**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements include the accounts of Raymond James Financial, Inc. ("RJF") and its consolidated subsidiaries that are generally controlled through a majority voting interest. RJF is a holding company headquartered in Florida whose subsidiaries are engaged in various financial service businesses; as used herein, the terms "our," "we" or "us" refer to RJF and/or one or more of its subsidiaries. In addition, we consolidate any variable interest entity ("VIE") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 7 of these Notes to Condensed Consolidated Financial Statements. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Effective April 1, 2011, we completed our acquisition of Howe Barnes, Hoefer & Arnett ("Howe Barnes"). The Howe Barnes stockholders received 217,088 shares of our common stock valued at \$8.3 million in exchange for all of the outstanding Howe Barnes shares. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Howe Barnes recorded as of the acquisition date at their respective fair value and consolidated in our financial statements. We recorded goodwill in the amount of \$2.4 million from this transaction as the excess of the purchase price consideration over the fair value of the net assets acquired. This goodwill has been allocated to the private client group segment. Proforma information is not presented in these financial statements because the acquisition is not considered to be material. Howe Barnes results of operations have been included in our results prospectively from April 1, 2011.

Effective April 4, 2011, one of our wholly owned subsidiaries increased its pre-existing share of ownership in Raymond James European Securities, S.A.S. ("RJES"), by contributing \$6.4 million in cash in exchange for additional RJES shares. As a result of this acquisition of incremental RJES shares, effective with this transaction we hold a controlling interest in RJES. Accordingly, we applied the acquisition method of accounting to our interest in RJES as of the date we acquired the controlling interest with the assets and liabilities of RJES recorded at their respective fair value and consolidated in our financial statements and the portion we do not own included in noncontrolling interests. We recorded goodwill in the amount of \$6.9 million as the excess of the consideration paid for the additional shares and the acquisition date fair value of our previously held interests and the noncontrolling interests, over the fair value of the net assets of RJES. This goodwill has been allocated to the capital markets segment. Proforma information is not presented in these financial statements because the acquisition is not considered to be material.

Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") but not required for interim reporting purposes has been condensed or omitted. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented.

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended September 30, 2010, as filed with the United States of America ("U.S.") Securities and Exchange Commission (the "2010 Form 10-K"). To prepare condensed consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

#### **Update of Significant Accounting Policies**

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

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

At December 31, 2010, we implemented new FASB guidance which requires enhanced disclosures about our allowance for loan losses and credit quality of our financing receivables. See Note 6 which contains the additional disclosures required under this new guidance specifically pertaining to the financing receivables arising from our bank subsidiary, Raymond James Bank, FSB ("RJ Bank"), including certain additional accounting policy information regarding such balances not previously included in Note 1 - Summary of Significant Accounting Policies on pages 79 - 90 of our 2010 Form 10-K.

We also have certain financing receivables that arise from businesses other than our banking business, which are within the scope of the new accounting guidance. Specifically, we make loans to financial advisors and certain key revenue producers, primarily for recruiting and/or retention purposes. Our accounting policies governing this activity, including our policies for determining the allowance for doubtful accounts, are described in Note 1, page 85, of our 2010 Form 10-K. As of June 30, 2011, the outstanding balance of these loans is \$228 million, with a related allowance for doubtful accounts of \$9.3 million, which are included within other receivables on our Condensed Consolidated Statements of Financial Condition. Based upon the nature of these financing receivables, we do not analyze this asset on a portfolio segment or class basis. Further, the aging of this receivable balance is not a determinative factor in computing our allowance for doubtful accounts, as concerns regarding the recoverability of these loans primarily arises in the event that the financial advisor becomes no longer affiliated with us. Of the loan balance referred to above, the portion of the balance associated with financial advisors who are no longer affiliated with us, after consideration of the allowance for doubtful accounts, is approximately \$1.9 million.

#### **Reclassifications**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS, ASSETS SEGREGATED PURSUANT TO REGULATIONS, AND DEPOSITS WITH CLEARING ORGANIZATIONS**

Our cash equivalents include money market funds or highly liquid investments not held for resale with original maturities of 90 days or less. For further discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 1 on page 80 of our 2010 Form 10-K.

The following are financial instruments that are cash and cash equivalents or other investment balances which are readily convertible into cash:

	<b>June 30, 2011</b>	<b>September 30, 2010</b>
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	\$ 1,595,797	\$ 2,939,963 <sup>(1)</sup>
Money market investments	2,891	3,276
Total cash and cash equivalents <sup>(2)</sup>	1,598,688	2,943,239
Cash and securities segregated pursuant to federal regulations and other segregated assets <sup>(3)</sup>	2,498,212	3,430,715 <sup>(1)</sup>
Deposits with clearing organizations <sup>(4)</sup>	76,639	76,488
	<u>\$ 4,173,539</u>	<u>\$ 6,450,442</u>

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

(2) Of the total, includes \$655 million of RJF parent company cash and cash equivalents (nearly all of which is invested on behalf of the RJF parent company by one of its subsidiaries) as of June 30, 2011. At September 30, 2010, the RJF parent company had \$287 million in cash and cash equivalents (see Note 26 on page 135 of the 2010 Form 10-K for further information).

(3) Consists of cash or qualified securities maintained in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934. Raymond James & Associates, Inc. ("RJ&A"), as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. Additionally, Raymond James Ltd. ("RJ Ltd.") is required to hold client Registered Retirement Savings Plan funds in trust. The \$1.3 billion in other segregated assets at September 30, 2010 related to the point-in-time regulatory balance sheet composition requirements mentioned above was held as collateral by the Federal Home Loan Bank of Atlanta ("FHLB") securing an overnight advance. On October 1, 2010, the advance was repaid.

(4) Consists of deposits of cash and cash equivalents or other short-term securities held by other clearing organizations or exchanges.

**NOTE 3 – FAIR VALUE**

For a further discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 1, pages 81 – 84, in our 2010 Form 10-K.

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

Assets and liabilities measured at fair value on a recurring basis are presented below:

<b>June 30, 2011</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1) <sup>(1)</sup></b>	<b>Significant Other Observable Inputs (Level 2) <sup>(1)</sup></b>	<b>Significant Unobservable Inputs (Level 3) (in thousands)</b>	<b>Netting Adjustments <sup>(2)</sup></b>	<b>Balance as of June 30, 2011</b>
<b>Assets:</b>					
Trading instruments:					
Municipal and provincial obligations	\$ 6	\$ 177,781	\$ 6,310	\$ -	\$ 184,097
Corporate obligations	8,666	28,485	-	-	37,151
Government and agency obligations	15,052	26,314	-	-	41,366
Agency mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs")	234	231,983	-	-	232,217
Non-agency CMOs and asset-backed securities ("ABS")	-	12,748	58	-	12,806
Total debt securities	23,958	477,311	6,368	-	507,637
Derivative contracts	-	84,171	-	(62,301)	21,870
Equity securities	29,831	2,953	1,347	-	34,131
Other securities	2,534	8,905	-	-	11,439
Total trading instruments	56,323	573,340	7,715	(62,301)	575,077
Available for sale securities:					
Agency MBS and CMOs	-	160,512	-	-	160,512
Non-agency CMOs	-	162,691	915	-	163,606
Other securities	11	-	-	-	11
Total available for sale securities	11	323,203	915	-	324,129
Private equity and other investments:					
Private equity investments	-	-	167,774 <sup>(3)</sup>	-	167,774
Other investments	153,888	93	45	-	154,026
Total private equity and other investments	153,888	93	167,819	-	321,800
Other assets	-	-	25	-	25
Total	\$ 210,222	\$ 896,636	\$ 176,474	\$ (62,301)	\$ 1,221,031
<b>Liabilities:</b>					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	\$ -	\$ 720	\$ -	\$ -	\$ 720
Corporate obligations	-	1,610	-	-	1,610
Government obligations	173,371	-	-	-	173,371
Agency MBS and CMOs	5	-	-	-	5
Total debt securities	173,376	2,330	-	-	175,706
Derivative contracts	-	65,292	-	(65,030)	262
Equity securities	19,360	315	-	-	19,675
Other securities	-	150	-	-	150
Total trading instruments sold but not yet purchased	192,736	68,087	-	(65,030)	195,793
Other liabilities	-	14	40	-	54
Total	\$ 192,736	\$ 68,101	\$ 40	\$ (65,030)	\$ 195,847

(1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the period ended June 30, 2011. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.

(2) We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

(3) Includes \$87.9 million in private equity investments of which the weighted-average portion we own is approximately 20%. The portion of this investment we do not own becomes a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to \$70 million of that total as of June 30, 2011.

September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1) <sup>(1)</sup>	Significant Other Observable Inputs (Level 2) <sup>(1)</sup>	Significant Unobservable Inputs (Level 3) (in thousands)	Netting Adjustments <sup>(2)</sup>	Balance as of September 30, 2010
<b>Assets:</b>					
Trading instruments:					
Municipal and provincial obligations	\$ 7	\$ 162,071	\$ 6,275	\$ -	\$ 168,353
Corporate obligations	21,485	16,986	-	-	38,471
Government and agency obligations	27,374	9,520	-	-	36,894
Agency MBS and CMOs	303	278,275	-	-	278,578
Non-agency CMOs and ABS	-	4,367	3,930	-	8,297
Total debt securities	49,169	471,219	10,205	-	530,593
Derivative contracts	-	102,490	-	(76,123)	26,367
Equity securities	28,506	113	3,025	-	31,644
Other securities	1,250	1,593	-	-	2,843
Total trading instruments	78,925	575,415	13,230	(76,123)	591,447
Available for sale securities:					
Agency MBS and CMOs	-	217,879	-	-	217,879
Non-agency CMOs	-	200,559	1,011	-	201,570
Other securities	9	5,003	-	-	5,012
Total available for sale securities	9	423,441	1,011	-	424,461
Private equity and other investments:					
Private equity investments	-	-	161,230 <sup>(3)</sup>	-	161,230
Other investments	158,653	1,151	45	-	159,849
Total private equity and other investments	158,653	1,151	161,275	-	321,079
Other assets					
Total	\$ 237,587	\$ 1,000,032	\$ 175,516	\$ (76,123)	\$ 1,337,012
<b>Liabilities:</b>					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	\$ -	\$ 296	\$ -	\$ -	\$ 296
Corporate obligations	17	676	-	-	693
Government obligations	99,631	-	-	-	99,631
Agency MBS and CMOs	105	-	-	-	105
Total debt securities	99,753	972	-	-	100,725
Derivative contracts	-	86,039	-	(84,390)	1,649
Equity securities	15,890	12,774	-	-	28,664
Total trading instruments sold but not yet purchased	115,643	99,785	-	(84,390)	131,038
Other liabilities					
Total	\$ 115,643	\$ 99,890	\$ 46	\$ (84,390)	\$ 131,189

(1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the year ended September 30, 2010. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.

(2) We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

(3) Includes \$86.3 million in private equity investments of which the weighted-average portion we own is approximately 20%. The portion of this investment we do not own becomes a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to \$69.1 million of that total as of September 30, 2010.

### Changes in Level 3 Recurring Fair Value Measurements

The realized and unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis are presented below:

Three months ended June 30, 2011	Level 3 Financial Assets at Fair Value							Change in Unrealized Gains (Losses) Related to Financial Instruments Held at June 30, 2011
	Fair Value, March 31, 2011	Total Realized/ Unrealized Gains (Losses) Included in Earnings	Total Unrealized Gains (Losses) Included in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net (in thousands)	Transfers into Level 3	Transfers out of Level 3	Fair Value, June 30, 2011	
<b>Assets:</b>								
Trading instruments:								
Municipal and provincial obligations	\$ 5,688	\$ (129)	\$ -	\$ 751	\$ -	\$ -	\$ 6,310	\$ (54)
Non-agency CMOs and ABS	3,921	570	-	(4,433)	-	-	58	(63)
Equity securities	1,925	-	-	(578)	-	-	1,347	-
Available for sale securities:								
Non-agency CMOs	800	-	136	(21)	-	-	915	-
Private equity and other investments:								
Private equity investments	157,046	8,819 <sup>(1)</sup>	-	1,909	-	-	167,774	8,819
Other investments	45	-	-	-	-	-	45	-
Other assets	25	-	-	-	-	-	25	-
<b>Liabilities:</b>								
Other liabilities	\$ (42)	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ (40)	\$ -

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$6.3 million which is included in net income attributable to RJF (after noncontrolling interests), the noncontrolling interests' share of the net valuation adjustments was a gain of approximately \$2.5 million.



**Level 3 Financial Assets at Fair Value**

<b>Nine months ended June 30, 2011</b>	<b>Fair Value September 30, 2010</b>	<b>Total Realized/ Unrealized Gains (Losses) Included in Earnings</b>	<b>Total Unrealized Gains (Losses) Included in Other Comprehensive Income</b>	<b>Purchases, Issuances, and Settlements, Net (in thousands)</b>	<b>Transfers into Level 3</b>	<b>Transfers out of Level 3</b>	<b>Fair Value, June 30, 2011</b>	<b>Change in Unrealized Gains (Losses) Related to Financial Instruments Held at June 30, 2011</b>
<b>Assets:</b>								
Trading instruments:								
Municipal and provincial obligations	\$ 6,275	\$ (710)	\$ -	\$ 745	\$ -	\$ -	\$ 6,310	\$ (855)
Non-agency CMOs and ABS	3,930	1,310	-	(5,182)	-	-	58	(190)
Equity securities	3,025	-	-	(1,678)	-	-	1,347	-
Available for sale securities:								
Non-agency CMOs	1,011	121	202	(419)	-	-	915	(81)
Private equity and other investments:								
Private equity investments	161,230	8,417 <sup>(1)</sup>	-	(1,873)	-	-	167,774	8,417
Other investments	45	-	-	-	-	-	45	-
Other assets	-	-	-	-	25	-	25	-
<b>Liabilities:</b>								
Other liabilities	\$ (46)	\$ -	\$ -	\$ -	\$ (3)	\$ 9	\$ (40)	\$ -

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$3.7 million which is included in net income attributable to RJF (after noncontrolling interests), the noncontrolling interests' share of the net valuation adjustments was a gain of approximately \$4.7 million.

**Level 3 Financial Assets at Fair Value**

<b>Three months ended June 30, 2010</b>	<b>Fair Value, March 31, 2010</b>	<b>Total Realized/ Unrealized Gains (Losses) Included in Earnings</b>	<b>Total Unrealized Gains (Losses) Included in Other Comprehensive Income</b>	<b>Purchases, Issuances, and Settlements, Net (in thousands)</b>	<b>Transfers into Level 3</b>	<b>Transfers out of Level 3</b>	<b>Fair Value, June 30, 2010</b>	<b>Change in Unrealized Gains (Losses) Related to Financial Instruments Held at June 30, 2010</b>
<b>Assets:</b>								
Trading instruments:								
Municipal and provincial obligations	\$ 5,581	\$ 575	\$ -	\$ -	\$ -	\$ -	\$ 6,156	\$ 575
Non-agency CMOs and ABS	6,145	(95)	-	(1,084)	-	-	4,966	177
Derivative contracts	13	(13)	-	-	-	-	-	-
Equity securities	-	-	-	6	-	-	6	-
Other securities	1,574	86	-	(14)	-	-	1,646	86
Available for sale securities:								
Non-agency CMOs	1,623	(202)	(300)	(88)	-	-	1,033	(202)
Private equity and other investments:								
Private equity investments	157,797	2,425 <sup>(1)</sup>	-	2,924	-	-	163,146	2,425
Other investments	222	249	-	(425)	-	-	46	1
<b>Liabilities:</b>								
Derivative contracts	\$ (38)	\$ 38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	(46)	-	-	-	-	-	(46)	-

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$2.7 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests share of the net valuation adjustments was a loss of approximately \$300,000.

**Level 3 Financial Assets at Fair Value**

Nine months ended June 30, 2010	Fair Value, September 30, 2009	Total Realized/ Unrealized Gains (Losses) Included in Earnings	Total Unrealized Gains (Losses) Included in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers into Level 3	Transfers out of Level 3	Fair Value, June 30, 2010	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at June 30, 2010
(in thousands)								
<b>Assets:</b>								
Trading instruments:								
Municipal and provincial obligations	\$ 5,316	\$ 840	\$ -	\$ -	\$ -	\$ -	\$ 6,156	\$ 840
Non-agency CMOs and ABS	10,915	(591)	-	(5,358)	-	-	4,966	165
Derivative contracts	222	(222)	-	-	-	-	-	-
Equity securities	-	-	-	6	-	-	6	-
Other securities	919	720	-	7	-	-	1,646	719
Available for sale securities:								
Non-agency CMOs	2,596	(2,526)	1,269	(306)	-	-	1,033	(2,526)
Private equity and other investments:								
Private equity investments	142,671	14,498 <sup>(1)</sup>	-	5,977	-	-	163,146	14,498
Other investments	227	244	-	(425)	-	-	46	(4)
<b>Liabilities:</b>								
Other liabilities	(59)	13	-	-	-	-	(46)	(7)

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$4.2 million which is included in net income attributable to RJF (after noncontrolling interests), the noncontrolling interests share of the net valuation adjustments was a gain of approximately \$10.3 million.

As of June 30, 2011, 7.6% of our assets and 1.5% of our liabilities are instruments 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, 2011 represent 14.5% of our assets measured at fair value. As of June 30, 2010, 8.9% and 0.7% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2010 represented 13.4% of all our assets measured at fair value.

Gains and losses (realized and unrealized) included in revenues are reported in net trading profits and other revenues in our Condensed Consolidated Statements of Income and Comprehensive Income (the "Condensed Consolidated Statements of Income"), as follows:

For the three months ended June 30, 2011	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains included in revenues	\$ 441	\$ 8,819
Change in unrealized (losses) gains relating to assets still held at reporting date	(117)	8,819
For the nine months ended June 30, 2011	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains included in revenues	\$ 600	\$ 8,538
Change in unrealized (losses) gains relating to assets still held at reporting date	(1,045)	8,336

For the three months ended June 30, 2010	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains included in revenues	\$ 815	\$ 2,248
Change in unrealized gains relating to assets still held at reporting date	839	2,804

For the nine months ended June 30, 2010	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains included in revenues	\$ 1,213	\$ 11,764
Change in unrealized gains relating to assets still held at reporting date	1,720	11,966

#### 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 only in certain circumstances; for example, when there is evidence of impairment or in other situations where the lower of cost or fair value method of accounting is applied. Our financial instruments which are measured at fair value on a nonrecurring basis include certain RJ Bank loans that have been deemed impaired and certain loans classified as held for sale. Assets that are not financial instruments but are subject to measurement at fair value on a nonrecurring basis include goodwill and other real estate owned ("OREO"). The table below provides information, by level within the fair value hierarchy, for assets measured at fair value during the year and still held as of the reporting date.

	Fair Value Measurements			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in thousands)			
<b>June 30, 2011:</b>				
<b>Assets at fair value on a nonrecurring basis:</b>				
Bank loans, net <sup>(1)</sup>	\$ -	\$ 36,538	\$ 56,547	\$ 93,085
OREO <sup>(2)</sup>	-	5,895	-	5,895
<b>September 30, 2010:</b>				
<b>Assets at fair value on a nonrecurring basis:</b>				
Bank loans, net <sup>(1)</sup>	\$ -	\$ 1,901	\$ 71,920	\$ 73,821
OREO <sup>(2)</sup>	-	19,431	-	19,431

(1) Includes individual loans classified as held for sale, which were recorded at a fair value lower than cost.

(2) Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial classification as OREO. The recorded value in the Condensed Consolidated Statements of Financial Condition is net of the estimated selling costs.

The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2011 resulted in \$13.4 million in additional provision for loan losses as well as \$2.8 in other losses during the nine month period.

For a discussion of our accounting policies for impairment of loans held for investment, loans held for sale, and OREO, see Note 1 on pages 85 - 87 of our 2010 Form 10-K.

#### Fair Value Option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of June 30, 2011, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

## OTHER FAIR VALUE DISCLOSURES

Many, but not all, of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 3, pages 95 – 96, of our 2010 Form 10-K for discussion of the methods and assumptions we apply to the determination of fair value of our financial instruments that are not otherwise recorded at fair value.

The carrying amounts and estimated fair values of our financial instruments that are not carried at fair value are as follows:

	June 30, 2011		September 30, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(in thousands)				
<b>Financial assets:</b>				
Bank loans, net	\$ 6,252,094	\$ 6,288,241	\$ 6,094,929	\$ 6,099,106
<b>Financial liabilities:</b>				
Bank deposits	6,944,458	6,951,761	7,079,718	7,088,297
Other borrowings	-	-	2,557,000	2,557,613
Corporate debt	612,648	686,758	355,964	421,132

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

	June 30, 2011		September 30, 2010	
	Trading Instruments	Instruments Sold but Not Yet Purchased	Trading Instruments	Instruments Sold but Not Yet Purchased
(in thousands)				
Municipal and provincial obligations	\$ 184,097	\$ 720	\$ 168,353	\$ 296
Corporate obligations	37,151	1,610	38,471	693
Government and agency obligations	41,366	173,371	36,894	99,631
Agency MBS and CMOs	232,217	5	278,578	105
Non-agency CMOs and ABS	12,806	-	8,297	-
Total debt securities	507,637	175,706	530,593	100,725
Derivative contracts	21,870	262	26,367	1,649
Equity securities	34,131	19,675	31,644	28,664
Other securities	11,439	150	2,843	-
Total	\$ 575,077	\$ 195,793	\$ 591,447	\$ 131,038

Auction rate securities totaling \$7.4 million and \$9.1 million at June 30, 2011 and September 30, 2010, respectively, are included predominately within the municipal and provincial obligations presented in the table above. There were no auction rate securities in trading instruments sold but not yet purchased as of either June 30, 2011 or September 30, 2010. See Note 13 for additional information regarding auction rate securities matters.

See Note 3 for additional information regarding the fair value of trading instruments and trading instruments sold but not yet purchased.

## NOTE 5 – AVAILABLE FOR SALE SECURITIES

Available for sale securities are comprised primarily of CMOs and other mortgage-related debt securities owned by RJ Bank, and certain equity securities owned by our non-broker-dealer subsidiaries. There were proceeds of \$13.8 million from the sale of available for sale securities during the nine month period ended June 30, 2011, which resulted in total losses of \$203,000. There were no proceeds from the sale of available for sale securities for the nine month period ended June 30, 2010.

The amortized cost and estimated fair values of available for sale securities are as follows:

June 30, 2011				
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available for sale securities:				
Agency MBS and CMOs	\$ 160,313	\$ 335	\$ (136)	\$ 160,512
Non-agency CMOs <sup>(1)</sup>	203,476	-	(39,870)	163,606
Total RJ Bank available for sale securities	363,789	335	(40,006)	324,118
Other securities	3	8	-	11
Total available for sale securities	\$ 363,792	\$ 343	\$ (40,006)	\$ 324,129

  

September 30, 2010				
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available for sale securities:				
Agency MBS and CMOs	\$ 217,516	\$ 559	\$ (196)	\$ 217,879
Non-agency CMOs <sup>(2)</sup>	252,522	16	(50,968)	201,570
Other securities	5,000	3	-	5,003
Total RJ Bank available for sale securities	475,038	578	(51,164)	424,452
Other securities	3	6	-	9
Total available for sale securities	\$ 475,041	\$ 584	\$ (51,164)	\$ 424,461

(1) As of June 30, 2011, the non-credit portion of other-than-temporary impairment ("OTTI") recorded in accumulated other comprehensive income ("AOCI") was \$32.5 million (before taxes).

(2) As of September 30, 2010, the non-credit portion of OTTI recorded in AOCI was \$36.1 million (before taxes).

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

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. The contractual maturities, amortized cost, carrying values and current yields for RJ Bank's available for sale securities are as follows:

June 30, 2011					
	Within One Year	After One but within Five Years	After Five but within Ten Years (in thousands)	After Ten Years	Total
Agency MBS & CMOs:					
Amortized cost	\$ -	\$ -	\$ 56,578	\$ 103,735	\$ 160,313
Carrying value	-	-	56,681	103,831	160,512
Weighted-average yield	-	-	0.36%	0.56%	0.48%
Non-agency CMOs:					
Amortized cost	\$ -	\$ -	\$ -	\$ 203,476	\$ 203,476
Carrying value	-	-	-	163,606	163,606
Weighted-average yield	-	-	-	4.59%	4.59%
Total available for sale securities:					
Amortized cost	\$ -	\$ -	\$ 56,578	\$ 307,211	\$ 363,789
Carrying value	-	-	56,681	267,437	324,118
Weighted-average yield	-	-	0.36%	3.03%	2.56%

## Unrealized Losses

For a further discussion of our available for sale securities' accounting policies, including the fair value determination process, see Note 1, pages 82 – 83, in our 2010 Form 10-K.

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, are as follows:

	June 30, 2011					
	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 thousands)					
Agency MBS and CMOs	\$ 47,350	\$ (87)	\$ 17,145	\$ (49)	\$ 64,495	\$ (136)
Non-agency CMOs	1,453	(36)	162,153	(39,834)	163,606	(39,870)
Total impaired securities	<u>\$ 48,803</u>	<u>\$ (123)</u>	<u>\$ 179,298</u>	<u>\$ (39,883)</u>	<u>\$ 228,101</u>	<u>\$ (40,006)</u>

  

	September 30, 2010					
	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 thousands)					
Agency MBS and CMOs	\$ 45,026	\$ (117)	\$ 58,425	\$ (79)	\$ 103,451	\$ (196)
Non-agency CMOs	-	-	199,877	(50,968)	199,877	(50,968)
Total impaired securities	<u>\$ 45,026</u>	<u>\$ (117)</u>	<u>\$ 258,302</u>	<u>\$ (51,047)</u>	<u>\$ 303,328</u>	<u>\$ (51,164)</u>

The reference point for determining when securities are in a loss position is the reporting period 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 MBS and CMOs

The Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC"), 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 ("GNMA"), guarantee the contractual cash flows of the agency MBS. At June 30, 2011, of the 40 U.S. government-sponsored enterprise MBS in an unrealized loss position, 24 were in a continuous unrealized loss position for less than 12 months and 16 for 12 months or more. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

### Non-agency CMOs

As of June 30, 2011 and including subsequent ratings changes, \$8 million of the non-agency CMOs were rated AAA by two rating agencies, and \$155.6 million were rated less than AAA by at least one rating agency. At June 30, 2011, 24 of the 25 non-agency CMOs were in a continuous unrealized loss position for 12 months or more and one was in that position for less than 12 months. 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 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. Only those non-agency CMOs whose amortized cost basis we do not expect to recover in full are considered to be other-than-temporarily impaired as we have the ability and intent to hold these securities to maturity. The unrealized losses at June 30, 2011 were primarily due to the continued illiquidity and uncertainty in the markets.

Based on the expected cash flows derived from the model utilized in our analysis, we expect to recover all unrealized losses not already recorded in earnings on our non-agency CMOs. However, 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.

The significant assumptions used in the cash flow analysis of non-agency CMOs are as follows:

	June 30, 2011	
	Range	Weighted-Average (1)
Default rate	1.1% - 34.6%	14.6%
Loss severity	15% - 60.6%	43.6%
Prepayment rate	0.7% - 20.6%	10.1%

(1) Represents the expected activity for the next twelve months.

#### *Other-Than-Temporarily Impaired Securities*

Although there is no intent to sell our non-agency CMOs and it is not more likely than not that we will be required to sell these securities, we do not expect to recover the entire amortized cost basis of certain securities within this portfolio.

Changes in the amount of OTTI related to credit losses recognized in other revenues on available for sale securities are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Amount related to credit losses on securities we held at the beginning of the period	\$ 17,470	\$ 19,869	\$ 18,816	\$ 17,762
Additions to the amount related to credit loss for which an OTTI was not previously recognized	-	300	240	2,905
Decreases to the amount related to credit loss for securities sold during the period	-	-	(6,744)	-
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	2,255	2,215	7,413	5,048
Decreases to the amount related to credit losses for worthless securities	-	(3,038)	-	(6,369)
Amount related to credit losses on securities we held at the end of the period	<u>\$ 19,725</u>	<u>\$ 19,346</u>	<u>\$ 19,725</u>	<u>\$ 19,346</u>

The current period credit losses were primarily due to high loss severities on individual loan collateral of certain securities and the expected continuation of high default levels and collateral losses throughout 2011 and into 2012.

#### **NOTE 6 – BANK LOANS, NET**

Bank client receivables are 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.

During the December 2010 quarter end, RJ Bank reclassified balances within the categories of its loan portfolio to more closely align these balances with its assignment of credit risk utilized within the allowance for loan losses evaluation. As a result, the September 30, 2010 period bank loan disclosures presented in this Form 10-Q differ from what was previously reported.

For a discussion of our accounting policies regarding bank loans, including the policies regarding the allowance for loan losses, nonaccrual and impaired loans, charge-offs and other real estate owned, see Note 1, pages 85 – 87, in our 2010 Form 10-K.

The FASB issued new accounting guidance, effective for us in prior quarters, requiring certain additional disclosures regarding the allowance for loan losses and credit quality of our financing receivables. The following information supplements the accounting policy information included in our 2010 Form 10-K referred to above. The allowance for loan losses provides for probable losses incurred in RJ Bank's loan portfolio. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. This allowance for loan loss is comprised of two components: allowances calculated based on formulas for homogenous classes of loans and allowances assigned to certain classified loans individually evaluated for impairment. The calculation of the allowance is an inherently subjective process impacted by many factors.

We segregate our loan portfolio into five loan portfolio segments: commercial, commercial real estate ("CRE"), CRE construction, residential mortgage and consumer. These portfolio segments also serve as the portfolio loan classes for purposes of credit analysis, except for residential mortgage loans which are further disaggregated into residential first mortgage and residential home equity classes. Each loan is assigned a grade and then an allowance percentage is assigned to each loan grade based upon the perceived risk associated with the class and grade. Commercial, CRE and CRE construction loans are assigned to one of several loan grades based upon the respective loan's credit characteristics.

Factors taken into consideration when assigning loan grades and allowance percentages to commercial, CRE and CRE construction loan classes include estimates of borrower default probabilities and collateral values; trends in delinquencies; volume and terms; changes in geographic distribution, updated LTV ratios, lending policies, local, regional, and national economic conditions; concentrations of credit risk; past loss history; Shared National Credit reviews and examination results from regulatory agencies. Loan grades for individual commercial, CRE, and CRE construction loans are derived from analyzing two aspects of the risk factors in a particular loan, the obligor rating and the facility (collateral) rating. The obligor rating relates to a borrower's probability of defaulting and the facility rating is utilized to estimate the anticipated loss in the event of default. These two ratings are considered in combination to derive the final commercial, CRE and CRE construction loan grades. For residential first mortgage, residential home equity and consumer loan classes, factors considered when assigning loan grades and allowance percentage include loan performance trends, loan product parameters and qualification requirements, credit scores, updated LTV ratios, occupancy (i.e., owner occupied, second home or investment property), documentation level, loan purpose, geographic concentrations, average loan size and loan policy exceptions.

The following table presents the balances for both the held for sale and held for investment loan portfolios as well as the associated percentage of each major loan category in RJ Bank's total loan portfolio:

	June 30, 2011		September 30, 2010	
	Balance	%	Balance	%
	(\$ in thousands)			
Loans held for sale, net <sup>(1)</sup>	\$ 70,121	1%	\$ 6,114	-
Loans held for investment, net: <sup>(1)</sup>				
Commercial loans	3,796,539	59%	3,232,723	52%
CRE construction loans	25,381	-	65,512	1%
CRE loans	783,297	12%	937,669	15%
Residential mortgage loans	1,760,387	28%	2,015,331	32%
Consumer loans	5,897	-	23,940	-
Total loans held for investment	6,371,501		6,275,175	
Net unearned income and deferred expenses	(43,728)		(39,276)	
Total loans held for investment, net	6,327,773		6,235,899	
Total loans held for sale and investment	6,397,894	100%	6,242,013	100%
Allowance for loan losses	(145,800)		(147,084)	
Bank loans, net	\$ 6,252,094		\$ 6,094,929	

(1) Net of unearned income and deferred expenses, which includes purchase premiums, purchase discounts, and net deferred origination fees and costs.

RJ Bank's net gain from the sale of loans held for sale was \$74,000 and \$20,000, which was recorded in other revenues on our Condensed Consolidated Statements of Income, for the three month periods ended June 30, 2011 and 2010, respectively. The net gain from the sale of loans held for sale was \$648,000 and \$260,000 for the nine month periods ended June 30, 2011 and 2010, respectively.

The following table presents purchases and sales of any loans held for investment by portfolio segment:

	Three months ended June 30, 2011		Nine months ended June 30, 2011	
	Purchases	Sales	Purchases	Sales
	(in thousands)			
Commercial loans	\$ 16,500	\$ 38,545	\$ 23,430	\$ 54,424
CRE loans	4,650	-	4,650	-
Residential mortgage loans	145	-	40,568	-
Total	\$ 21,295	\$ 38,545	\$ 68,648	\$ 54,424



The following table shows the contractual maturities of RJ Bank's loan portfolio at June 30, 2011, including contractual principal repayments. This table does not, however, include any estimates of prepayments. These prepayments could shorten the average loan lives and cause the actual timing of the loan repayments to differ significantly from those shown in the following table:

	Due in			
	One Year or Less	> One Year - Five Years	> Five Years	Total <sup>(1)</sup>
	(in thousands)			
Loans held for sale	\$ -	\$ -	\$ 63,622	\$ 63,622
Loans held for investment:				
Commercial loans	84,276	2,448,746	1,263,517	3,796,539
CRE construction loans	21,792	3,589	-	25,381
CRE loans	311,786	447,682	23,829	783,297
Residential mortgage loans	1,147	12,104	1,747,136	1,760,387
Consumer loans	5,872	-	25	5,897
Total loans held for investment	424,873	2,912,121	3,034,507	6,371,501
Total loans	<u>\$ 424,873</u>	<u>\$ 2,912,121</u>	<u>\$ 3,098,129</u>	<u>\$ 6,435,123</u>

(1) Excludes any net unearned income and deferred expenses.

The following table presents the comparative data for nonperforming loans held for investment and total nonperforming assets:

	June 30, 2011	September 30, 2010
	(in thousands)	
Nonaccrual loans:		
Commercial loans	\$ 26,192	\$ -
CRE loans	25,805	67,071
Residential mortgage loans:		
First mortgage loans <sup>(1)</sup>	83,590	80,754
Home equity loans/lines	82	71
Total nonaccrual loans	135,669	147,896
Accruing loans which are 90 days past due:		
CRE loans	-	830
Residential mortgage loans:		
First mortgage loans	4,306	5,098
Home equity loans/lines	86	159
Total accruing loans which are 90 days past due	4,392	6,087
Total nonperforming loans	140,061	153,983
Real estate owned and other repossessed assets, net:		
CRE	10,256	19,486
Residential:		
First mortgage	8,552	8,439
Home equity	13	-
Total	18,821	27,925
Total nonperforming assets, net	\$ 158,882	\$ 181,908
Total nonperforming assets as a % of total loans, net and other real estate owned, net	2.53%	2.97%

(1) Of the total residential first mortgage nonaccrual loans, there are loans totaling \$74.1 million and \$68.7 million as of June 30, 2011 and September 30, 2010, respectively, for which a charge-off had previously been recorded.

The table of nonperforming assets above, as of June 30, 2011 and September 30, 2010, excludes \$11.1 million and \$8.2 million, respectively, of residential troubled debt restructurings, which were returned to accrual status in accordance with our policy.

As of June 30, 2011, RJ Bank had commitments to lend an additional \$6.2 million on two nonperforming commercial loans, which were not classified as troubled debt restructurings. As of September 30, 2010, RJ Bank had a commitment to lend an additional \$623,000 on one nonperforming CRE loan, which was classified as a troubled debt restructuring.

The gross interest income related to the nonperforming loans reflected in the previous table, which would have been recorded had these loans been current in accordance with their original terms, totaled \$1.7 million and \$4.3 million for the three and nine months ended June 30, 2011, respectively, and \$2.4 million and \$6.3 million for the three and nine months ended June 30, 2010, respectively. The interest income recognized on nonperforming loans was \$279,000 and \$691,000 for the three and nine months ended June 30, 2011, respectively, and \$390,000 and \$916,000 for the three and nine months ended June 30, 2010, respectively.

The following table presents an analysis of the payment status of loans held for investment as of June 30, 2011:

	<b>30-59 Days</b>	<b>60-89 Days</b>	<b>90 Days or More</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total Loans Held for Investment <sup>(1)</sup></b>
	<b>(in thousands)</b>					
Commercial loans	\$ -	\$ -	\$ -	\$ -	\$ 3,758,101	\$ 3,758,101
CRE construction loans	-	-	-	-	25,078	25,078
CRE loans	19,215	-	5,053	24,268	755,673	779,941
Residential mortgage loans:						
First mortgage loans	9,630	7,383	62,317	79,330	1,647,963	1,727,293
Home equity loans/lines	110	-	168	278	31,184	31,462
Consumer loans	-	-	-	-	5,898	5,898
Total loans held for investment, net	\$ 28,955	\$ 7,383	\$ 67,538	\$ 103,876	\$ 6,223,897	\$ 6,327,773

(1) Net of unearned income and deferred expenses.

The following table provides a summary of RJ Bank's impaired loans:

	<b>June 30, 2011</b>			<b>September 30, 2010</b>		
	<b>Gross Recorded Investment</b>	<b>Unpaid Principal Balance</b>	<b>Allowance for Losses</b>	<b>Gross Recorded Investment</b>	<b>Unpaid Principal Balance</b>	<b>Allowance For Losses</b>
	<b>(in thousands)</b>					
Impaired loans with allowance for loan losses: <sup>(1)</sup>						
Commercial loans	\$ 26,192	\$ 26,535	\$ 5,464	\$ -	\$ -	\$ -
CRE loans	20,771	34,014	7,744	60,598	85,652	8,469
Residential mortgage loans:						
First mortgage loans	14,031	15,712	2,678	12,434	13,659	2,782
Home equity loans/lines	143	143	26	144	144	30
Total	61,137	76,404	15,912	73,176	99,455	11,281
Impaired loans without allowance for loan losses: <sup>(2)</sup>						
CRE loans	5,034	7,925	-	6,473	17,309	-
Residential - first mortgage loans	6,288	9,631	-	3,552	5,355	-
Total	11,322	17,556	-	10,025	22,664	-
Total impaired loans	\$ 72,459	\$ 93,960	\$ 15,912	\$ 83,201	\$ 122,119	\$ 11,281

(1) Impaired loan balances have had reserves established based upon management's analysis.

(2) When the discounted cash flow, collateral value or market value equals or exceeds the carrying value of the loan, then the loan does not require an allowance. These are generally loans in process of foreclosure that have already been adjusted to fair value.

The table above includes \$26.6 million and \$27.8 million in troubled debt restructurings at June 30, 2011 and September 30, 2010, respectively.

The average balance of the impaired loans and the related interest income recognized in the Condensed Consolidated Statements of Income are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Average impaired loan balance:				
Commercial loans	\$ 8,731	\$ -	\$ 2,910	\$ -
CRE loans	37,862	61,558	43,954	56,815
Residential mortgage loans:				
First mortgage loans	19,980	6,333	19,065	5,335
Home equity loans/lines	143	128	143	128
Total	\$ 66,716	\$ 68,019	\$ 66,072	\$ 62,278
Interest income recognized:				
Residential mortgage loans:				
First mortgage loans	\$ 80	\$ 27	\$ 216	\$ 79
Home equity loans/lines	1	1	3	2
Total	\$ 81	\$ 28	\$ 219	\$ 81

The credit quality of RJ Bank's loan portfolio is summarized monthly using the standard asset classification system utilized by federal banking agencies. These classifications are divided into three groups: Not Classified (Pass), Special Mention, and Classified or Adverse Rating (Substandard, Doubtful and Loss) and are defined as follows:

Pass – Loans which are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less costs to acquire and sell, of any underlying collateral in a timely manner.

Special Mention – Loans which have potential weaknesses that deserve management's close attention. These loans are not adversely classified and do not expose RJ Bank to sufficient risk to warrant an adverse classification.

Substandard – Loans which are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Loans with this classification are characterized by the distinct possibility that RJ Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans which have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions and values.

Loss – Loans which are considered by management to be uncollectible and of such little value that their continuance on RJ Bank's books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. RJ Bank does not have any loan balances within this classification as in accordance with its accounting policy, loans, or a portion thereof considered to be uncollectible, are charged-off prior to the assignment of this classification.

RJ Bank's credit quality of its held for investment loan portfolio as of June 30, 2011 is presented in the following table:

	Commercial	CRE Construction	CRE	Residential Mortgage		Consumer	Total
				First Mortgage	Home Equity		
				(in thousands)			
Pass	\$ 3,600,202	\$ 25,381	\$ 642,033	\$ 1,608,758	\$ 30,718	\$ 5,897	\$ 5,912,989
Special mention	89,144	-	58,326	28,662	176	-	176,308
Substandard	94,743	-	76,790	91,789	284	-	263,606
Doubtful	12,450	-	6,148	-	-	-	18,598
Total	\$ 3,796,539	\$ 25,381	\$ 783,297	\$ 1,729,209	\$ 31,178	\$ 5,897	\$ 6,371,501

The assignment of RJ Bank's loan portfolio to the loan classification above was made using the most recently available information described in our allowance for loan losses accounting policy presented on pages 86 - 87 of our 2010 Form 10-K.

Changes in the allowance for loan losses of RJ Bank by portfolio segment were as follows:

	Loans Held for Investment							
	Loans Held for Sale	Commercial	CRE Construction	CRE (in thousands)	Residential Mortgage	Consumer	Total	
Three months ended June 30, 2011:								
Balance at beginning of period:	\$ 4	\$ 64,696	\$ 2,745	\$ 44,182	\$ 34,469	\$ 19	\$ 146,115	
Provision for loan losses	1	9,283	(2,318)	(5,137)	6,321	213	8,363	
Net charge-offs:								
Charge-offs	-	(370)	-	(4,082)	(5,243)	(215)	(9,910)	
Recoveries	-	-	-	780	449	3	1,232	
Net charge-offs	-	(370)	-	(3,302)	(4,794)	(212)	(8,678)	
Balance at end of period	\$ 5	\$ 73,609	\$ 427	\$ 35,743	\$ 35,996	\$ 20	\$ 145,800	
Net charge-offs to average bank loans outstanding (annualized)	-	0.04%	-	1.73%	1.07%	14.33%	0.55%	
Nine months ended June 30, 2011:								
Balance at beginning of period:	\$ 23	\$ 60,464	\$ 4,473	\$ 47,771	\$ 34,297	\$ 56	\$ 147,084	
Provision for loan losses	(18)	13,597	(4,046)	925	17,559	215	28,232	
Net charge-offs:								
Charge-offs	-	(452)	-	(14,012)	(17,348)	(255)	(32,067)	
Recoveries	-	-	-	1,059	1,488	4	2,551	
Net charge-offs	-	(452)	-	(12,953)	(15,860)	(251)	(29,516)	
Balance at end of period	\$ 5	\$ 73,609	\$ 427	\$ 35,743	\$ 35,996	\$ 20	\$ 145,800	
Net charge-offs to average bank loans outstanding (annualized)	-	0.02%	-	2.21%	1.12%	4.82%	0.63%	

The following tables allocate, by loan portfolio segment, RJ Bank's recorded investment and related allowance for loan losses:

	Loans Held for Investment							
	Loans Held for Sale	Commercial	CRE Construction	CRE (in thousands)	Residential Mortgage	Consumer	Total	
<b>June 30, 2011:</b>								
<b>Allowance for loan losses:</b>								
Individually evaluated for impairment	\$ -	\$ 5,464	\$ -	\$ 7,744	\$ 2,704	\$ -	\$ 15,912	
Collectively evaluated for impairment	5	68,145	427	27,999	33,292	20	129,888	
Total allowance for loan losses	\$ 5	\$ 73,609	\$ 427	\$ 35,743	\$ 35,996	\$ 20	\$ 145,800	
Loan category as a % of total recorded investment	1%	59%	-	12%	28%	-	100%	
<b>Recorded investment: <sup>(1)</sup></b>								
Individually evaluated for impairment	\$ -	\$ 26,192	\$ -	\$ 25,805	\$ 20,462	\$ -	\$ 72,459	
Collectively evaluated for impairment	63,622	3,770,347	25,381	757,492	1,739,925	5,897	6,362,664	
Total recorded investment	\$ 63,622	\$ 3,796,539	\$ 25,381	\$ 783,297	\$ 1,760,387	\$ 5,897	\$ 6,435,123	

(1) Excludes any net unearned income and deferred expenses.

	Loans Held for Investment							
	Loans Held for Sale	Commercial	CRE Construction	CRE (in thousands)	Residential Mortgage	Consumer	Total	
September 30, 2010:								
Allowance for loan losses:								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ 8,469	\$ 2,812	\$ -	\$ 11,281	
Collectively evaluated for impairment	23	60,464	4,473	39,302	31,485	56	135,803	
Total allowance for loan losses	\$ 23	\$ 60,464	\$ 4,473	\$ 47,771	\$ 34,297	\$ 56	\$ 147,084	
Loan category as a % of total recorded investment	-	52%	1%	15%	32%	-	100%	
Recorded investment: <sup>(1)</sup>								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ 67,071	\$ 16,130	\$ -	\$ 83,201	
Collectively evaluated for impairment	5,847	3,232,723	65,512	870,598	1,999,201	23,940	6,197,821	
Total recorded investment	\$ 5,847	\$ 3,232,723	\$ 65,512	\$ 937,669	\$ 2,015,331	\$ 23,940	\$ 6,281,022	

(1) Excludes any net unearned income and deferred expenses.

RJ Bank had no recorded investment in loans acquired with deteriorated credit quality as of June 30, 2011 and September 30, 2010.

The reserve for unfunded lending commitments, included in trade and other payables on our Condensed Consolidated Statements of Financial Condition, was \$10.7 million and \$11.9 million at June 30, 2011 and September 30, 2010, respectively.

#### **NOTE 7 – VARIABLE INTEREST ENTITIES**

A VIE requires consolidation by the entity's primary beneficiary. Refer to Note 1, page 88, and Note 9, pages 105 – 109, in our 2010 Form 10-K for a description of our principal involvement with VIEs.

On October 1, 2010, we adopted new accounting guidance which amended the existing pronouncement regarding the consolidation of VIEs. This new guidance contains new criteria for determining the primary beneficiary of a VIE and increases the frequency of required reassessments to determine whether an entity is the primary beneficiary of a VIE. Under this new guidance, we assess VIEs for consolidation when we hold variable interests in the entity. We consolidate VIEs when we are deemed to be the primary beneficiary. The primary beneficiary is determined to be the party that meets both of the following criteria: (1) has the power to make decisions that most significantly affect the economic performance of the VIE, and (2) has the obligations to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

We hold variable interests in the following VIE's: Raymond James Employee Investment Funds I and II (the "EIF Funds"), a trust fund established for employee retention purposes ("Restricted Stock Trust Fund"), certain LIHTC fund entities in which Raymond James Tax Credit Funds, Inc. ("RJTCF") holds an interest ("LIHTC Funds"), and various other partnerships and limited liability companies ("LLCs") involving real estate ("Other Real Estate Limited Partnerships and LLCs").

On October 1, 2010, as a result of the application of the new accounting guidance, we:

(1) Deconsolidated two LIHTC Funds in which we were deemed to be the primary beneficiary under the prior accounting guidance. These two entities had consolidated assets of approximately \$3.5 million and no consolidated liabilities. Within equity (as presented on the Condensed Consolidated Statement of Financial Condition), their deconsolidation resulted in an after-tax cumulative effect adjustment to retained earnings and noncontrolling interests of \$3.3 million and \$6.8 million, respectively.

(2) Consolidated two LIHTC Funds in which we are deemed to be the primary beneficiary under the new accounting guidance. These two entities had consolidated assets of \$56.8 million and consolidated liabilities of \$42.1 million, and since we hold less than a 1% interest in these entities, the equity impact of their consolidation was a \$14.7 million increase in noncontrolling interests.

#### VIEs where we are the primary beneficiary

Of the VIEs in which we hold an interest, we have determined that the EIF Funds, the Restricted Stock Trust Fund and certain LIHTC Funds require consolidation in our financial statements as we are deemed the primary beneficiary of those VIEs. The aggregate assets and liabilities of the entities we consolidate are provided in the table below.

	Aggregate Assets <sup>(1)</sup>	Aggregate Liabilities <sup>(1)</sup>
	(in thousands)	
<b>June 30, 2011:</b>		
LIHTC Funds	\$ 261,245	\$ 120,089
Guaranteed LIHTC Fund	79,350	867
Restricted Stock Trust Fund	11,858	6,172
EIF Funds	16,663	-
Total	<u>\$ 369,116</u>	<u>\$ 127,128</u>
<b>September 30, 2010:</b>		
LIHTC Funds	\$ 234,742	\$ 94,028
Guaranteed LIHTC Fund	75,449	2,382
Restricted Stock Trust Fund	7,969	4,429
EIF Funds	18,215	-
Total	<u>\$ 336,375</u>	<u>\$ 100,839</u>

(1) Aggregate assets and aggregate liabilities differ from the consolidated carrying value of assets and liabilities due to the elimination of intercompany assets and liabilities held by the consolidated VIE.

The following table presents information about the carrying value of the assets, liabilities and equity of the VIEs which we consolidate and are included within our Condensed Consolidated Statements of Financial Condition. The noncontrolling interests presented in this table represent the portion of these net assets which are not ours.

	June 30, 2011	September 30, 2010
	(in thousands)	
<b>Assets:</b>		
Assets segregated pursuant to regulations and other segregated assets	\$ 19,150	\$ 14,188
Receivables, other	-	6,104
Investments in real estate partnerships – held by VIEs	320,480	280,890
Trust fund investment in RJF common stock <sup>(1)</sup>	11,858	7,798
Prepaid expenses and other assets	17,831	19,398
Total assets	<u>\$ 369,319</u>	<u>\$ 328,378</u>
<b>Liabilities and equity:</b>		
Loans payable related to investments by VIEs in real estate partnerships <sup>(2)</sup>	\$ 98,562	\$ 76,464
Trade and other payables	8,283	2,722
Intercompany payables	15,188	16,930
Total liabilities	<u>122,033</u>	<u>96,116</u>
RJF Equity	5,961	5,205
Noncontrolling interests	241,325	227,057
Total equity	<u>247,286</u>	<u>232,262</u>
Total liabilities and equity	<u>\$ 369,319</u>	<u>\$ 328,378</u>

(1) Included in treasury stock in our Condensed Consolidated Statements of Financial Condition.

(2) Comprised of several non-recourse loans. We are not contingently liable under any of these loans.

The following table presents information about the net loss of the VIEs which we consolidate and are included within our Condensed Consolidated Statements of Income. The noncontrolling interests presented in this table represent the portion of the net loss from these VIEs which are not ours.

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 1	\$ 13
Other	3,164	1,093	5,755	3,262
Total revenues	3,164	1,093	5,756	3,275
Interest expense	1,430	1,026	4,563	3,252
Net revenues (expense)	1,734	67	1,193	23
Non-interest expenses	3,318	2,353	12,979	12,318
<b>Net loss including noncontrolling interests</b>	<b>(1,584)</b>	<b>(2,286)</b>	<b>(11,786)</b>	<b>(12,295)</b>
Net loss attributable to noncontrolling interests	(1,238)	(2,755)	(10,866)	(11,302)
<b>Net (loss) income attributable to RJF</b>	<b>\$ (346)</b>	<b>\$ 469</b>	<b>\$ (920)</b>	<b>\$ (993)</b>

#### *EIF Funds*

The EIF Funds are limited partnerships for which we are the general partner. The EIF Funds invest in certain of our private equity activities as well as other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain of our key employees. We are deemed to be the primary beneficiary and, accordingly, we consolidate the EIF Funds.

#### *Restricted Stock Trust Fund*

We utilize a trust in connection with one of our restricted stock plans. This trust fund was established and funded for the purpose of acquiring our common stock in the open market to be used to settle restricted stock units granted as a retention vehicle for certain employees of our Canadian subsidiary. Given this trust fund's purpose and design, our Canadian subsidiary is deemed to be the entity most closely associated with this VIE. As a result, we are deemed to be the primary beneficiary and, accordingly, consolidate this trust fund.

#### *Low-income housing tax credit funds*

RJTCF is a wholly owned subsidiary of RJF and is the managing member or general partner in approximately 71 separate tax credit housing funds having one or more investor members or limited partners. These tax credit housing funds are organized as LLCs or limited partnerships for the purpose of investing in a number of project partnerships, which are limited partnerships that in turn purchase and develop low-income housing properties qualifying for tax credits.

Our determination of the primary beneficiary of each tax credit fund in which we have a variable interest requires judgment and is based on an analysis of all relevant facts and circumstances, including: (1) an assessment of the characteristics of our variable interest and other involvements we have with the tax credit fund, including involvement of related parties and any de facto agents, as well as the involvement of other variable interest holders, namely, limited partners or investor members, and (2) the tax credit funds' purpose and design, including the risks that the tax credit fund was designed to create and pass through to its variable interest holders. 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 fund, while RJTCF, as the managing member or general partner of the fund, is responsible for overseeing the fund's operations.

#### Non-guaranteed low-income housing tax credit funds

As the managing member or general partner of the fund, except for the one guaranteed fund discussed below, 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) receive nearly all of the tax credits and tax-deductible loss benefits designed to be delivered by the fund entity, as well as a majority of any proceeds upon a sale of a project partnership held by a tax credit fund (fund level residuals). RJTCF earns fees from the fund for its services in organizing the fund, identifying and acquiring the project partnership investments, ongoing asset management fees, and a share of any residuals arising from sale of project partnerships upon the termination of the fund.

We have concluded that the determination of whether RJTCF is the primary beneficiary of any of the 70 non-guaranteed LIHTC Funds in which it holds a variable interest is primarily dependent upon: (1) the analysis of whether the other variable interest holders in the tax credit fund hold significant participating rights over the activities that most significantly impact the tax credit funds' economic performance, and/or (2) whether RJTCF has an obligation to absorb losses of, or the right to receive benefits from, the tax credit fund VIE which could potentially be significant to the fund.

RJTCF sponsors two general types of non-guaranteed tax credit funds: either non-guaranteed single investor funds, of which there are 54, or non-guaranteed multi-investor funds, of which there are 16. In single investor funds, RJTCF has concluded that the one single investor member or limited partner in such funds has significant participating rights over the activities that most significantly impact the economics of the fund and therefore RJTCF, as managing member or general partner of such funds, does not have the power over such activities. Accordingly, RJTCF is not deemed to be the primary beneficiary of such single investor funds and these funds are not consolidated.

In multi-investor funds, RJTCF has concluded that since the participating rights over the activities that most significantly impact the economics of the fund are not held by one single investor, RJTCF is deemed to have the power over such activities. RJTCF then assesses whether its projected benefits to be received from the multi-investor funds, primarily from ongoing asset management fees or its share of any residuals upon the termination of the fund, are potentially significant to the fund. RJTCF is deemed to be the primary beneficiary of any multi-investor fund for which it concludes that such benefits are potentially significant to the fund. RJTCF has concluded that it is the primary beneficiary of 11 of the 16 non-guaranteed multi-investor tax credit funds it has sponsored and, accordingly, consolidates these funds.

#### Guaranteed low-income housing tax credit fund

In conjunction with one of the multi-investor tax credit funds in which RJTCF is the managing member, RJTCF provided the investor members with a guaranteed return on their investment in the fund (the "Guaranteed LIHTC Fund"). As a result of this guarantee obligation, we have determined that we are the primary beneficiary of, and accordingly we consolidate, this guaranteed multi-investor fund. See Note 13 for further discussion of the guarantee obligation.

#### VIEs where we hold a variable interest but we are not the primary beneficiary

The aggregate assets, liabilities, and our exposure to loss from those VIEs in which we hold a variable interest, but concluded we are not the primary beneficiary, are provided in the table below.

	June 30, 2011			September 30, 2010		
	Aggregate Assets	Aggregate Liabilities	Our Risk of Loss	Aggregate Assets	Aggregate Liabilities	Our Risk of Loss
	(in thousands)					
LIHTC Funds	\$ 1,493,219	\$ 483,738	\$ 33,448	\$ 1,303,500	\$ 302,749	\$ 10,691
Other Real Estate Limited Partnerships and LLCs	41,604	35,723	10,656	51,166	38,699	20,246
Total	\$ 1,534,823	\$ 519,461	\$ 44,104	\$ 1,354,666	\$ 341,448	\$ 30,937



#### *Low-income housing partnerships*

RJTCF does not consolidate the LIHTC Fund VIEs which it determines we are not the primary beneficiary. Our risk of loss is limited to our investments in, advances to, and receivables due from these funds.

#### *Other real estate limited partnerships and LLCs*

As of June 30, 2011, we have a variable interest in several limited partnerships involved in various real estate activities in which one of our subsidiaries is either the general partner or a limited partner. In addition, RJ Bank has a variable interest in several LLCs involved in foreclosure or obtaining deeds in lieu of foreclosure, as well as the disposal of the collateral associated with impaired loans. Given that we do not have the power to direct the activities that most significantly impact the economic performance of these partnerships or LLCs, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships or LLCs. The carrying value of our investment in these partnerships or LLCs represents our risk of loss.

#### **VIEs where we hold a Variable Interest but we are not required to consolidate**

As a result of our April 1, 2011 acquisition of Howe Barnes (see Note 1 for further information), one of our subsidiaries is the general partner in three funds which we determined to be VIEs that we are not required to consolidate. We are not required to consolidate these funds since they each satisfy the conditions for deferral of the determination of who is the primary beneficiary and therefore, who has the obligation to consolidate. These funds meet the deferral criteria as: 1) these funds' primary business activity involves investment in the securities of other entities not under common management for current income, appreciation or both; 2) ownership in the funds is represented by units of investments to which proportionate shares of net assets can be attributed; 3) the assets of the funds are pooled to avail owners of professional management; 4) the funds are the primary reporting entities; and 5) the funds do not have an obligation (explicit or implicit) to fund losses of the entities that could be potentially significant.

The aggregate assets, liabilities, and our exposure to loss from these three funds are provided in the table below:

	June 30, 2011		
	Aggregate Assets	Aggregate Liabilities (in thousands)	Our Risk of Loss
Managed Funds	\$ 14,756	\$ 63	\$ 981

#### **Entities evaluated but determined not to be VIEs**

We evaluate entities in which we hold interests to determine if the entity is a VIE. Among those entities we evaluated, RJTCF has determined that six of the LIHTC Funds it sponsored are not VIEs. These funds are either: (1) held 99% by RJTCF (one of which typically holds interests in certain tax credit limited partnerships for less than 90 days, or until beneficial interest in the limited partnership or fund is sold to third parties), or (2) are single investor LIHTC Funds in which RJTCF holds an interest, but the LIHTC Fund does not meet the VIE determination criteria.

See Note 13 for discussion of our commitments related to RJTCF.

## 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 including the weighted-average rate:

	June 30, 2011		September 30, 2010	
	Balance	Weighted-Average Rate <sup>(1)</sup>	Balance	Weighted-Average Rate <sup>(1)</sup>
(\$ in thousands)				
Bank deposits:				
NOW accounts	\$ 4,570	0.01%	\$ 3,563	0.01%
Demand deposits (non-interest-bearing) <sup>(2)</sup>	5,440	-	3,089	-
Savings and Money Market accounts <sup>(2) (3)</sup>	6,695,349	0.08%	6,855,490	0.12%
Certificates of deposit	239,099	2.67%	217,576	2.94%
Total bank deposits	<u>\$ 6,944,458</u>	<u>0.17%</u>	<u>\$ 7,079,718</u>	<u>0.21%</u>

(1) Weighted-average rate calculation is based on the actual deposit balances at June 30, 2011 and September 30, 2010, respectively.

(2) Bank deposits exclude affiliate deposits of approximately \$1 million and \$400 million at June 30, 2011 and September 30, 2010, respectively.

(3) Bank deposits at September 30, 2010 include additional deposits received through the Raymond James Bank Deposit Program (“RJBDP”) associated with the point-in-time regulatory balance sheet composition requirements of RJ Bank. These deposits were redirected in October, 2010 to other RJBDP participating banks. See Note 22, page 130, of our 2010 Form 10-K for discussion of the September 30, 2010 point-in-time regulatory requirements.

RJ Bank’s Savings and Money Market accounts in the table above consist primarily of deposits that are cash balances swept from the investment accounts maintained at RJ&A. These balances are held in Federal Deposit Insurance Corporation (“FDIC”) insured bank accounts through the RJBDP administered by RJ&A.

Scheduled maturities of certificates of deposit are as follows:

	June 30, 2011		September 30, 2010	
	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 thousands)				
Three months or less	\$ 13,169	\$ 17,101	\$ 6,378	\$ 10,734
Over three through six months	4,155	7,055	5,098	10,921
Over six through twelve months	7,580	10,939	14,982	26,387
Over one through two years	12,897	17,718	6,925	15,905
Over two through three years	12,854	15,650	16,084	14,621
Over three through four years	24,183	29,194	9,064	14,349
Over four through five years	32,903	33,701	29,806	36,322
Total	<u>\$ 107,741</u>	<u>\$ 131,358</u>	<u>\$ 88,337</u>	<u>\$ 129,239</u>

Interest expense on deposits is summarized as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
(in thousands)				
Certificates of Deposit	\$ 1,589	\$ 1,654	\$ 4,718	\$ 4,951
Money Market, savings and NOW accounts	1,215	2,284	4,843	7,245
Total interest expense on deposits	<u>\$ 2,804</u>	<u>\$ 3,938</u>	<u>\$ 9,561</u>	<u>\$ 12,196</u>

**NOTE 9 – OTHER BORROWINGS**

The following table details the components of other borrowings:

	<b>June 30, 2011</b>	<b>September 30, 2010</b>
	<b>(in thousands)</b>	
Other borrowings:		
FHLB advances <sup>(1)</sup>	\$ -	\$ 2,445,000
Borrowings on secured lines of credit <sup>(2)</sup>	-	62,000
Borrowings on unsecured lines of credit <sup>(3)</sup>	-	50,000
Total other borrowings	<u>\$ -</u>	<u>\$ 2,557,000</u>

(1) There are no FHLB advances outstanding as of June 30, 2011.

As of September 30, 2010, FHLB advances consisted of several short-term fixed-rate advances and one \$2.4 billion overnight advance to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank qualifying as a thrift institution. The overnight advance was repaid on October 1, 2010. See Note 22, pages 129 – 130, of our 2010 Form 10-K for further discussion of the point-in-time requirement.

(2) There are no outstanding borrowings on secured lines of credit as of June 30, 2011. Any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

(3) There are no outstanding borrowings on unsecured lines of credit as of June 30, 2011. Any borrowings on unsecured lines of credit are day-to-day and are generally utilized for cash management purposes.

We maintain three unsecured settlement lines of credit available to our Argentine joint venture in the aggregate amount of \$13.5 million. Of the aggregate amount, one settlement line for \$9 million is guaranteed by RJF. There were no borrowings outstanding on these lines of credit as of either June 30, 2011 or September 30, 2010.

As of June 30, 2011, there were other collateralized financings outstanding in the amount of \$65 million. These other collateralized financings are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. As of September 30, 2010, in addition to the \$62 million of secured borrowings and \$50 million in unsecured borrowings described above, there were other collateralized financings outstanding in the amount of \$233.3 million which are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities.

**NOTE 10 – CORPORATE DEBT**

The following summarizes our corporate debt as of June 30, 2011 and September 30, 2010:

	<b>June 30, 2011</b>	<b>September 30, 2010</b>
	<b>(in thousands)</b>	
Mortgage notes payable <sup>(1)</sup>	\$ 53,585	\$ 56,009
4.25% senior notes, due 2016, net of unamortized discount of \$481 thousand at June 30, 2011 <sup>(2)</sup>	249,519	-
8.60% senior notes, due 2019, net of unamortized discount of \$41 thousand and \$45 thousand at June 30, 2011 and September 30, 2010, respectively <sup>(3)</sup>	299,959	299,955
Other financings <sup>(4)</sup>	9,585	-
<b>Total corporate debt</b>	<b>\$ 612,648</b>	<b>\$ 355,964</b>

- (1) Mortgage notes payable pertain to mortgage loans on our headquarters office complex. These mortgage loans are secured by land, buildings, and improvements with a net book value of \$60.1 million at June 30, 2011. These mortgages bear interest at 5.7% with repayment terms of monthly interest and principal debt service and a January 2023 maturity.
- (2) In April 2011, we sold in a registered underwritten public offering, \$250 million in aggregate principal amount of 4.25% senior notes due April 2016. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed, or (ii) the sum of the present value of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 30 basis points, plus accrued and unpaid interest thereon to the redemption date.
- (3) In August 2009, we sold in a registered underwritten public offering, \$300 million in aggregate principal amount of 8.60% senior notes due August 2019. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 50 basis points, plus accrued and unpaid interest thereon to the redemption date.
- (4) Effective in April 2011, we acquired a controlling interest in RJES (see Note 1 for further discussion of this transaction). This financing balance pertains to pre-existing term loan financing of RJES. The term loan bears interest at a variable rate indexed to the Euro Interbank Offered Rate and is secured by certain assets of RJES. The repayment terms include annual principal repayments and a September 2013 maturity.

As a result of our April 1, 2011 acquisition of Howe Barnes (see Note 1 for discussion), we assumed \$3.4 million of their pre-existing subordinated debt. On April 1, 2011, we retired this subordinated debt.

Our corporate debt as of June 30, 2011, based upon its contractual terms, matures as follows:

	<b>June 30, 2011</b>
	<b>(in thousands)</b>
Quarter-ended September 30, 2011	\$ 3,988
Fiscal 2012	6,602
Fiscal 2013	6,918
Fiscal 2014	3,860
Fiscal 2015	4,086
Fiscal 2016 and thereafter	587,194
<b>Total</b>	<b>\$ 612,648</b>

#### **NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS**

We enter into interest rate swaps and futures contracts either as part of our fixed income business to facilitate customer transactions, to hedge a portion of our trading inventory, or for our own account. The majority of our derivative positions are executed in the over-the-counter market with financial institutions. These positions are recorded at fair value with the related gain or loss and interest recorded in earnings within the Condensed Consolidated Statements of Income. The revenue related to the interest rate contracts 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.

We elect to net-by-counterparty the fair value of interest rate swap contracts entered into by our fixed income trading group. Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all individual swap receivables and payables with each counterparty and, therefore, the fair value of those swap contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. 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. As we elect to net-by-counterparty the fair value of interest rate swap contracts, we also net-by-counterparty any collateral exchanged as part of the swap agreement. This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions aggregates to a net liability of \$2 million and a net asset of \$10.6 million at June 30, 2011 and September 30, 2010, respectively. The cash collateral included in the net fair value of all open derivative liability positions aggregates to a net asset of \$5.3 million and a net liability of \$1.8 million at June 30, 2011 and September 30, 2010, respectively. Our maximum loss exposure under these interest rate swap contracts at June 30, 2011 is \$22.4 million.

To mitigate interest rate risk in a significantly rising rate environment, during the year ended September 30, 2008, RJ Bank purchased three-year term interest rate caps with high strike rates (more than 300 basis points higher than rates in effect as of their date of purchase). The interest rate caps, whose unexpired notional value is \$500 million at June 30, 2011, will increase in value if interest rates rise and will entitle RJ Bank to cash flows if interest rates rise above strike rates. In addition, RJ Bank, in the ordinary course of business, enters into commitments to originate fixed-rate mortgage loans. These derivative instruments are recorded at fair value with any changes in fair value recorded in earnings within the Condensed Consolidated Statements of Income for the period. Cash flows related to these derivative instruments are included in operating activities on the Condensed Consolidated Statements of Cash Flows. Our maximum loss exposure under these derivative instruments is insignificant to the condensed consolidated financial statements at June 30, 2011.

None of our derivatives are designated as fair value or cash flow hedges.

See the table below for the notional and fair value amounts of both the asset and liability derivatives.

		Asset Derivatives								
		June 30, 2011			September 30, 2010					
		Balance Sheet Location	Notional Amount	Fair Value <sup>(1)</sup>	Balance Sheet Location	Notional Amount	Fair Value <sup>(1)</sup>			
		(in thousands)								
Derivatives not designated as hedging instruments:										
Interest rate contracts	Trading instruments	\$	1,880,872	\$	84,171	Trading instruments	\$	1,130,767	\$	102,490
	Other assets		500,000		-	Other assets		1,500,000		-

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

	Liability Derivatives					
	June 30, 2011			September 30, 2010		
	Balance Sheet Location	Notional Amount	Fair Value <sup>(1)</sup>	Balance Sheet Location	Notional Amount	Fair Value <sup>(1)</sup>
	(in thousands)					
Derivatives not designated as hedging instruments:						
Interest rate contracts	Trading instruments sold	\$ 1,444,967	\$ 65,292	Trading instruments sold	\$ 1,172,927	\$ 86,039
Loan commitments	Trade and other payables	5,320	14	Trade and other payables	15,523	105

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

See the table below for the impact of the derivatives not designated as hedging instruments on the Condensed Consolidated Statements of Income.

Location of gain (loss) recognized on derivatives in the Condensed Consolidated Statements of Income		Amount of gain (loss) on derivatives recognized in income			
		Three months ended June 30,		Nine months ended June 30,	
		2011	2010	2011	2010
(in thousands)					
<b>Derivatives not designated as hedging instruments:</b>					
Interest rate contracts	Net trading profits	\$ (339)	\$ (3,419)	\$ 3,836	\$ (1,774)
	Other revenues	-	1	-	(286)
Forward sale contracts	Other revenues	-	25	-	(222)
Loan commitments	Other expenses	1	2	91	33

We are exposed to credit losses in the event of nonperformance by the counterparties to our interest rate derivative agreements. We perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. Currently, we anticipate that all of the counterparties will be able to fully satisfy their obligations under those agreements. We may require collateral in the form of cash deposits 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. We are also exposed to interest rate risk related to our interest rate derivative agreements. For the derivatives included in trading instruments and trading instruments sold on our Condensed Consolidated Statements of Financial Condition, we monitor exposure in our derivative agreements daily based on established limits with respect to a number of factors, including interest rate, spread, ratio, basis and volatility risks. These exposures are monitored both on a total portfolio basis and separately for each agreement for selected maturity periods.

## **NOTE 12 – INCOME TAXES**

For further discussion of income tax matters, see Note 16, pages 115 – 117, in our 2010 Form 10-K.

As of June 30, 2011 and September 30, 2010, our liability for unrecognized tax benefits was \$5.3 million and \$4.3 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$4.2 million and \$3.4 million at June 30, 2011 and September 30, 2010, respectively. We anticipate that the unrecognized tax benefits will not change significantly over the next 12 months.

We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of June 30, 2011 and September 30, 2010, accrued interest and penalties included in the unrecognized tax benefits liability were approximately \$1.7 million and \$1.4 million, respectively.

Our effective tax rate of approximately 40.5% for the three month period ended June 30, 2011 is greater than the approximately 37.8% effective tax rate applicable to the prior year quarter. The primary factors for this increase in our effective tax rate for the quarter ended June 30, 2011 were a repatriation of earnings from one of our foreign subsidiaries and the accrual of a fine related to the auction rate securities settlement that is not tax deductible (see Note 13 for further discussion of this matter) all of which occurred in a quarter with comparatively lower pre-tax income. For the fiscal year-to-date period ended June 30, 2011, our effective tax rate of 37.6% approximates the prior year-to-date effective rate.

We file U. S. federal income tax returns as well as returns with various state, local and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for years prior to fiscal year 2010 for federal tax returns, fiscal year 2006 for state and local tax returns and fiscal year 2002 for foreign tax returns. Certain transactions occurring in fiscal year 2011, are currently being examined under the Internal Revenue Service (“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 fiscal year 2010 IRS audit and state audits in process are expected to be completed in fiscal year 2011.

## **NOTE 13 – COMMITMENTS, CONTINGENCIES AND GUARANTEES**

### **Commitments and Contingencies**

On June 30, 2011, RJ Bank announced that it entered into a definitive agreement to acquire substantially all of a foreign bank’s Canadian corporate loan portfolio. As a result of this transaction, RJ Bank organized a finance entity in Canada which will allow it to expand its corporate and commercial real estate lending activity. This loan portfolio consists of approximately \$615 million in loan commitments, of which approximately \$500 million is outstanding. The loan portfolio is highly diverse and performing well with loans across various industry sectors throughout Canada. The transaction is expected to close prior to September 30, 2011 and is subject to Canadian and U.S. regulatory approvals, the latter of which is still pending.

As of June 30, 2011, RJ Bank had not settled purchases of \$18.9 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

RJ Bank has committed \$2 million to a small business investment company which provides capital and long-term loans to small businesses. As of June 30, 2011, we have invested \$800,000 of the committed amount and the distributions received have been insignificant.

See Note 17 for additional information regarding RJ Bank’s commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases.

In the normal course of business we enter into underwriting commitments. As of June 30, 2011, RJ&A had no open transactions involving such commitments. Transactions involving such commitments of RJ Ltd. that were recorded and open at June 30, 2011 were approximately \$7.2 million in Canadian dollars (“CDN”).

We utilize client marginable securities to satisfy deposits with clearing organizations. At June 30, 2011, we had client margin securities valued at \$83.3 million pledged with a clearing organization to meet our requirement of \$66.3 million.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting and/or retention purposes. These commitments are contingent upon certain events occurring, including, but not limited to, the individual joining us and in most circumstances require them to meet certain production requirements. As of June 30, 2011, we had made commitments to either prospects who have accepted our offer, or recently recruited producers, of approximately \$26.6 million that have not yet been funded.

We have committed a total of \$62.3 million, in amounts ranging from \$200,000 to \$5 million, to 45 different independent venture capital or private equity partnerships. In addition, we have a commitment totaling \$38.2 million to two additional private equity limited partnerships. As of June 30, 2011, we have invested \$68.9 million of the committed amounts and have received \$46.4 million in distributions. We also control the general partner in one internally sponsored private equity limited partnership to which we have committed and invested \$6.5 million, and have received \$5.2 million in distributions as of June 30, 2011.

We are the general partner in EIF Funds. These limited partnerships invest in the merchant banking and private equity activities of ours and other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain of our qualified key employees. At June 30, 2011, the funds have unfunded commitments of \$639,000. See Note 7 for additional information regarding our consolidation of the EIF Funds.

RJF has committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low-income housing development/rehabilitation and syndication activities, aggregating up to \$150 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.

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, 2011, cash funded to invest in either loans or investments in project partnerships was \$51.8 million.

At June 30, 2011, the approximate market values of collateral received that we can repledge were:

	<b><u>Sources of Collateral</u></b> <b>(in thousands)</b>
Securities purchased under agreements to resell and other collateralized financings	\$ 468,859
Securities received in securities borrowed vs. cash transactions	304,020
Collateral received for margin loans	1,363,463
Total	<u>\$ 2,136,342</u>

Certain collateral was repledged. At June 30, 2011, the approximate market values of this portion of collateral and financial instruments that we own and pledged were:

	<b><u>Uses of Collateral and Trading Securities</u></b> <b>(in thousands)</b>
Securities sold under agreements to repurchase	\$ 69,355
Securities delivered in securities loaned vs. cash transactions	696,311
Collateral used for cash loans	29
Collateral used for deposits at clearing organizations	94,755
Total	<u>\$ 860,450</u>

As a result of the extensive regulation of the financial services industry, our broker-dealer and investment advisory 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 conducting 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.



## Guarantees

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. ("RJ Cap Services"), 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 RJ Cap Services. At June 30, 2011, the current exposure under these guarantees was \$8.2 million, which were underwritten as part of the larger corporate credit relationship. The outstanding interest rate swaps at June 30, 2011 have maturities ranging from July 2013 through October 2016. The estimated total potential exposure under these guarantees is \$16.1 million at June 30, 2011.

RJF guarantees interest rate swap obligations of RJ Cap Services. See Note 11 for additional information regarding our interest rate swaps.

We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At June 30, 2011, there were no outstanding performance guarantees in Argentina.

In March 2008, RJF guaranteed an \$8 million letter of credit issued for settlement purposes that was requested by the Capital Markets Board ("CMB") for our Turkish joint venture. While our Turkish joint venture ceased operations in December 2008, the CMB has not released this letter of credit. The issuing bank has instituted an action seeking payment of its fees on the underlying letter of credit and to confirm that the guarantee remains in effect.

RJF guarantees the existing mortgage debt of RJ&A of approximately \$53.6 million.

RJTCF issues certain guarantees to various third parties related to project partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately \$1.7 million as of June 30, 2011.

RJF has guaranteed RJTCF's performance to various third parties on certain obligations arising from RJTCF's sale and/or transfer of units in one of its fund offerings ("Fund 34"). Under such arrangements, RJTCF has provided either: (1) certain specific performance guarantees including a provision whereby in certain circumstances, RJTCF will refund a portion of the investors' capital contribution, or (2) a guaranteed return on their investment. Under the performance guarantees, the circumstances resulting in a payment to third parties depend upon the quantity and timing of the qualification of tax credits by the underlying projects within Fund 34. Based upon its most recent projections and performance of Fund 34, RJTCF does not anticipate that any refunds will be paid to any of these third parties under these performance guarantees. The maximum exposure to loss represents the undiscounted future payments due to investors for the return on and of their investment, and approximates \$39.7 million as of June 30, 2011. Under the guarantee of returns, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits over the next ten years, RJTCF is obligated to provide the investor with a specified return. A \$41.6 million financing asset is included in prepaid expenses and other assets, and a nearly offsetting \$41.3 million liability is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition as of June 30, 2011. The maximum exposure to loss under this guarantee represents the undiscounted future payments due to investors for the return on and of their investment, and approximates \$57.2 million at June 30, 2011. Based upon the most recent projections and the performance of Fund 34, we do not anticipate that any significant payments to investors will be required as a result of these guarantees. See Note 7 for the impact of this guarantee on the VIE determinations associated with this LIHTC fund.

## Auction Rate Securities Matters

In connection with Auction Rate Securities ("ARS"), our principal broker-dealers, RJ&A and Raymond James Financial Services, Inc. ("RJFS"), were subject to investigations by the Securities Exchange Commission ("SEC"), and certain states led by Florida's Office of Financial Regulation and the Texas Securities Board regarding the sale of ARS. On June 29, 2011, RJ&A and RJFS finalized settlements with the SEC and other regulatory authorities, concluding investigations by the regulators into RJ&A and RJFS's offer and sale of ARS. Under these settlement agreements, we will extend an offer to purchase at par, from certain current and former clients, eligible ARS that were purchased through RJ&A or RJFS on or before February 13, 2008, provided the eligible ARS were not transferred away from RJ&A or RJFS prior to January 1, 2006 and those securities were held on February 13, 2008. This offer will not extend to clients whose accounts were owned, managed or advised by or through correspondent broker-dealers or unaffiliated investment advisors or who acted as institutional money managers and did not hold ARS in RJ&A or RJFS accounts. This offer will remain open until September 29, 2011. For eligible clients who accept the offer prior to its expiration, we expect to purchase their eligible ARS no later than October 6, 2011. RJ Securities, Inc. ("RJS"), a wholly owned non-broker-dealer subsidiary, will purchase and hold the ARS repurchased as a result of this settlement. RJF has guaranteed RJS' obligation to perform these repurchases. In addition, RJ&A and RJFS will use its best efforts to identify and then make whole any losses sustained by eligible clients who purchased ARS through RJ&A or RJFS on or before February 13, 2008 and sold such securities at a loss prior to June 29, 2011. We will use our best efforts to identify and then reimburse clients who had borrowing costs related to providing liquidity on ARS which exceeded the amount they earned in interest or dividends from their eligible ARS at the time they borrowed money from RJ&A or RJFS. RJ&A and RJFS will participate in a special arbitration process for the purpose of arbitrating eligible investors' consequential damage claims arising from their inability to sell their eligible ARS. No fines were imposed by the SEC under the settlement agreement. A fine in the amount of \$1.75 million was imposed by the state regulators and is included in other expense in our Condensed Consolidated Statements of Income.

We estimate that ARS with a total par value of up to \$300 million may be eligible for the settlement offer. This amount includes an estimate of the eligible ARS of former clients which may be tendered. The difference between the aggregate purchase price and the market value of the ARS to be purchased represents our primary exposure to loss under the agreements. We are accounting for this settlement obligation in accordance with accounting pronouncements applicable to market value guarantees. Our estimate of the loss arising from the difference between our purchase price and the fair value of ARS securities tendered as a result of the settlement offer is \$45 million, which is reflected as a loss provision for auction rate securities in our Condensed Consolidated Statements of Income and a component of trade and other payables in our Condensed Consolidated Statements of Financial Condition. Our estimate is based upon current market conditions. The actual difference between our purchase price and the fair value of securities tendered may vary significantly from this estimate and will depend upon a number of factors including; future market conditions, the amount of ARS we ultimately purchase, issuer redemptions, and the amount of any payments made as a result of the make-whole for clients who sold eligible ARS at a loss.

## Legal Matter Contingencies

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business as well as other corporate litigation. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. In the opinion of our management, based on current available information, review with outside legal counsel, and consideration of amounts provided for in the accompanying condensed consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our 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.

For further information on our accounting policies regarding legal reserves, see Note 1, page 89, of our 2010 Form 10-K.

**NOTE 14 – INTEREST INCOME AND INTEREST EXPENSE**

The components of interest income and interest expense are as follows:

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(in thousands)</b>			
Interest income:				
Margin balances	\$ 13,341	\$ 11,910	\$ 38,748	\$ 34,300
Assets segregated pursuant to regulations and other segregated assets	2,043	2,049	6,118	5,626
Bank loans, net of unearned income	64,824	62,168	205,410	193,564
Available for sale securities	2,382	4,348	8,827	13,906
Trading instruments	5,067	5,125	16,379	13,172
Stock borrow	1,420	2,492	4,384	6,401
Interest income of VIEs	-	-	1	13
Other	6,755	4,688	17,162	10,445
Total interest income	95,832	92,780	297,029	277,427
Interest expense:				
Brokerage client liabilities	829	896	2,564	2,724
Retail bank deposits	2,804	3,938	9,561	12,196
Stock loan	489	1,175	1,398	2,651
Borrowed funds	804	1,516	3,098	4,561
Senior notes	8,968	6,523	22,014	19,568
Interest expense of VIEs	1,430	1,026	4,563	3,252
Other	2,501	1,165	5,818	2,537
Total interest expense	17,825	16,239	49,016	47,489
Net interest income	78,007	76,541	248,013	229,938
Less: Provision for loan losses	(8,363)	(17,098)	(28,232)	(59,870)
Net interest income after provision for loan losses	\$ 69,644	\$ 59,443	\$ 219,781	\$ 170,068

**NOTE 15 – SHARE-BASED COMPENSATION**

At June 30, 2011 we had multiple stock-based compensation plans for our employees, Board of Directors and non-employees. On our 2010 Form 10-K, the accounting policies and other information relating to the employee and Board of Director share-based compensation plans are outlined in Note 20, pages 121 – 125, while Note 21, pages 125 – 128, discusses our non-employees. For purposes of this report we have combined our presentation of both our employee and Board of Director share-based compensation plans with our non-employee share-based compensation plans, both of which are described below.

**Fixed Stock Option Plans**

Expense (expense reduction) and income tax benefits related to our stock option compensation plans available for grants to employees, members of our Board of Directors and independent contractor financial advisors are presented below:

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(in thousands)</b>			
Total share-based (expense reduction) expense	\$ ( 769)	\$ 852	\$ 8,217	\$ 8,518
Income tax benefits related to share-based expense	(781)	(255)	1,215	875

Cash received from stock option exercises for these plans for the nine months ended June 30, 2011 was \$32.2 million. There was approximately \$200,000 of excess tax benefits realized during the nine months ended June 30, 2011 resulting from the exercise of option awards during the nine months.

During the three months ended June 30, 2011, we granted 600 stock options to employees and no stock options to our independent contractor financial advisors. During the nine months ended June 30, 2011, we granted 246,600 stock options to employees and 45,000 stock options to our independent contractor financial advisors. During the nine months ended June 30, 2011, no stock options were granted to outside directors.

Unrecognized pre-tax expense for stock option awards granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of June 30, 2011 are presented below:

	<b>Unrecognized Pre-tax Expense (in thousands)</b>	<b>Remaining Weighted- average Period (in years)</b>
Employees and directors	\$ 13,519	3.0
Independent contractor financial advisors	806	2.8

The weighted-average grant-date fair value of stock option awards granted to employees for the three and nine months ended June 30, 2011 is \$11.91 and \$9.71, respectively.

The fair value of each option grant awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for unvested options granted to independent contractor financial advisors as of June 30, 2011 is \$7.97.

#### Restricted Stock Plan

During the three months ended December 31, 2010, our Board of Directors approved the granting of restricted stock unit awards rather than restricted stock awards in connection with the 2005 Restricted Stock Plan after reviewing certain income tax consequences to retirement eligible participants associated with restricted stock awards. Our intention is to issue restricted stock units rather than restricted stock awards under this plan in the future.

At our Annual Meeting of Shareholders held on February 24, 2011, our shareholders approved amendments to the 2005 Restricted Stock Plan, which added our non-employee directors and non-employee directors of our subsidiaries as eligible participants under this plan.

During the three months ended June 30, 2011, we granted no shares of restricted stock to employees and outside directors, 154,095 restricted stock units to employees, and no restricted stock units to outside directors. During the nine months ended June 30, 2011, we granted 98,258 shares of restricted stock to employees, 718,489 restricted stock units to employees, and 12,000 restricted stock units to outside directors. There were no shares of restricted stock or restricted stock units granted to independent contractor financial advisors during the nine months ended June 30, 2011. Restricted stock grants under the 2005 Restricted Stock Plan are limited to 2,000,000 shares per fiscal year.

Expense and income tax benefits related to our restricted stock plans available for grants to employees, members of our Board of Directors and independent contractor financial advisors are presented below:

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(in thousands)</b>			
Total share-based expense	\$ 4,563	\$ 4,853	\$ 14,757	\$ 15,483
Income tax benefits related to share-based expense	1,734	1,822	5,608	5,814

Unrecognized pre-tax expense for restricted stock shares and restricted stock units granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of June 30, 2011 are presented below:

	<b>Unrecognized Pre-tax Expense</b>	<b>Remaining Weighted- average Period</b>
	<b>(in thousands)</b>	<b>(in years)</b>
Employees and directors	\$ 44,270	3.4
Independent contractor financial advisors	1,543	2.1

The weighted-average grant-date fair value of restricted stock share and unit awards granted to employees and outside directors for the three and nine months ended June 30, 2011 is \$37.15 and \$31.47, respectively.

The fair value of each restricted stock share awarded to our independent contractor financial advisors is valued on the date of grant and periodically revalued at the current stock price. The weighted-average fair value for unvested restricted stock awards granted to independent contractor financial advisors as of June 30, 2011 is \$32.15.

#### Stock Bonus Plan

During the three months ended December 31, 2010, our Board of Directors approved the granting of restricted stock unit awards rather than restricted stock awards in connection with the 2007 Stock Bonus Plan after reviewing certain income tax consequences to retirement eligible participants associated with restricted stock awards. Our intention is to issue restricted stock units rather than restricted stock awards under this plan in the future.

During the three months ended June 30, 2011, we granted 1,158 restricted stock units to employees as part of our stock bonus plan. During the nine months ended June 30, 2011, we granted 404,999 restricted stock units to employees as part of our stock bonus plan. Restricted stock units granted under the 2007 stock bonus plan are limited to 750,000 shares per fiscal year.

Expense and income tax benefits related to our stock plan available for grants to employees are presented below:

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(in thousands)</b>			
Total share-based expense	\$ 1,694	\$ 1,725	\$ 8,927	\$ 6,946
Income tax benefits related to share-based expense	644	648	3,392	2,608

Unrecognized pre-tax expense for share-based awards granted to employees, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of June 30, 2011 is \$10.6 million and 2 years, respectively. The weighted-average grant-date fair value of restricted stock share and unit awards granted to employees for the three and nine months ended June 30, 2011 is \$38.24 and 31.56, respectively.

**NOTE 16 – REGULATIONS AND CAPITAL REQUIREMENTS**

For a discussion of the various regulations and capital requirements applicable to certain of our businesses and subsidiaries, see Note 22, pages 128 – 130, of our 2010 Form 10-K.

The net capital position of RJ&A are as follows:

	<u>June 30, 2011</u>	<u>September 30, 2010</u>
	(\$ in thousands)	
<b>Raymond James &amp; Associates, Inc.:</b>		
(Alternative Method elected)		
Net capital as a percent of aggregate debit items	23.92%	17.37%
Net capital	\$ 381,464	\$ 253,341
Less: required net capital	(31,896)	(29,169)
Excess net capital	<u>\$ 349,568</u>	<u>\$ 224,172</u>

The net capital position of RJFS are as follows:

	<u>June 30, 2011</u>	<u>September 30, 2010</u>
	(in thousands)	
<b>Raymond James Financial Services, Inc.:</b>		
(Alternative Method elected)		
Net capital	\$ 14,137	\$ 14,540
Less: required net capital	(250)	(250)
Excess net capital	<u>\$ 13,887</u>	<u>\$ 14,290</u>

The risk adjusted capital of our Canadian broker-dealer subsidiary RJ Ltd. are as follows (in Canadian dollars):

	<u>June 30, 2011</u>	<u>September 30, 2010</u>
	(in thousands)	
<b>Raymond James Ltd.:</b>		
Risk adjusted capital before minimum	\$ 66,637	\$ 52,022
Less: required minimum capital	(250)	(250)
Risk adjusted capital	<u>\$ 66,387</u>	<u>\$ 51,772</u>

At June 30, 2011, our other active domestic and international broker-dealers are in compliance with and met all net capital requirements.

As of the most recent notification from its regulator, RJ Bank was categorized as “well capitalized” under the regulatory framework for prompt corrective action. 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 following table. There are no conditions or events since that notification that management believes have changed RJ Bank's categorization.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(\$ in thousands)						
<b>As of June 30, 2011:</b>						
Total capital (to risk-weighted assets)	\$ 988,740	13.7%	\$ 576,965	8.0%	\$ 721,206	10.0%
Tier I capital (to risk-weighted assets)	897,955	12.5%	288,482	4.0%	432,724	6.0%
Tier I capital (to adjusted assets)	897,955	11.3%	317,229	4.0%	396,537	5.0%
<b>As of September 30, 2010 :</b>						
Total capital (to risk-weighted assets)	\$ 985,961	13.0%	\$ 608,096	8.0%	\$ 760,120	10.0%
Tier I capital (to risk-weighted assets)	890,442	11.7%	304,048	4.0%	456,072	6.0%
Tier I capital (to adjusted assets)	890,442	8.2%	434,193	4.0%	542,741	5.0%

RJ Bank calculates the Total Capital and Tier I Capital ratios in order to assess its compliance with both regulatory requirements and its internal capital policy in addition to providing a measure of underutilized capital should these ratios become excessive. Capital levels are continually monitored to assess RJ Bank's capital position.

Excluding the impact of the additional assets held at September 30, 2010 in order for RJ Bank to meet point-in-time regulatory balance sheet composition requirements related to its qualifying as a thrift institution (see page 130 of the 2010 Form 10-K), the Total Capital (to risk-weighted assets) ratio and the Tier I Capital (to adjusted assets) ratio decreased from 14.2% and 12.1%, respectively, at September 30, 2010 to 13.7% and 11.3%, respectively, at June 30, 2011. The decrease in both ratios was due to \$100 million in dividends declared and paid to RJF during the current fiscal year, partially offset by earnings and \$25 million of capital contributions received from RJF during this same period.

#### **NOTE 17 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

For a discussion of our financial instruments with off-balance sheet risk, see Note 23 pages, 130 – 132, of our 2010 Form 10-K.

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 purchase commitments, which extend over varying periods of time. These arrangements are subject to strict credit control assessments and each customer's credit worthiness is evaluated on a case-by-case basis. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and RJ Bank's exposure is limited to the replacement value of those commitments. A summary of commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding are as follows:

	<b>June 30, 2011</b>
	<b>(in thousands)</b>
Standby letters of credit <sup>(1)</sup>	\$ 222,721
Open end consumer lines of credit	32,146
Commercial lines of credit	1,931,499
Unfunded loan commitments - variable rate	89,115
Unfunded loan commitments – fixed-rate	1,946

(1) Generally, these standby letters of credit are underwritten as part of a larger corporate credit relationship.

Because many lending commitments expire without being funded in whole or part, the contract amounts are not estimates of our actual future credit exposure or future liquidity requirements. We maintain a reserve to provide for potential losses related to the unfunded lending commitments. See Note 6 for further discussion of this reserve for unfunded lending commitments.

RJ Bank had \$34.1 million in outstanding commitments to sell Small Business Administration loan pool securitizations as of June 30, 2011.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments held that are denominated 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 not significant. As of June 30, 2011, forward contracts outstanding to buy and sell U.S. dollars totaled CDN \$18.4 million and CDN \$3.3 million, respectively.

#### **NOTE 18 – EARNINGS PER SHARE**

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

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(in thousands, except per share amounts)</b>			
<b>Income for basic earnings per common share:</b>				
Net income attributable to RJF	\$ 46,786	\$ 60,687	\$ 209,426	\$ 159,218
Less allocation of earnings and dividends to participating securities <sup>(1)</sup>	(1,392)	(2,554)	(6,811)	(6,726)
Net income attributable to RJF common shareholders	<u>\$ 45,394</u>	<u>\$ 58,133</u>	<u>\$ 202,615</u>	<u>\$ 152,492</u>
<b>Income for diluted earnings per common share:</b>				
Net income attributable to RJF	\$ 46,786	\$ 60,687	\$ 209,426	\$ 159,218
Less allocation of earnings and dividends to participating securities <sup>(1)</sup>	(1,387)	(2,548)	(6,791)	(6,715)
Net income attributable to RJF common shareholders	<u>\$ 45,399</u>	<u>\$ 58,139</u>	<u>\$ 202,635</u>	<u>\$ 152,503</u>
<b>Common shares:</b>				
Average common shares in basic computation	123,238	119,622	122,200	119,180
Dilutive effect of outstanding stock options and certain restricted stock units	720	397	489	276
Average common shares used in diluted computation	<u>123,958</u>	<u>120,019</u>	<u>122,689</u>	<u>119,456</u>
<b>Earnings per common share:</b>				
Basic	\$ 0.37	\$ 0.49	\$ 1.66	\$ 1.28
Diluted	<u>\$ 0.37</u>	<u>\$ 0.48</u>	<u>\$ 1.65</u>	<u>\$ 1.28</u>
Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive	534	3,395	1,035	3,485

(1) Represents dividends paid during the period to participating securities plus an allocation of undistributed earnings to participating securities. Participating securities represent unvested restricted stock and certain restricted stock units and amounted to weighted-average shares of 3.8 million and 5.3 million for the three months ended June 30, 2011 and 2010, respectively. Participating securities represent unvested restricted stock and certain restricted stock units and amounted to weighted-average shares of 4.1 million and 5.3 million for the nine months ended June 30, 2011 and 2010, respectively. Dividends paid to participating securities amounted to \$486,000 and \$559,000 for the three months ended June 30, 2011 and 2010, respectively. Dividends paid to participating securities amounted to \$1.5 million and \$1.7 million during the nine months ended June 30, 2011 and 2010, respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Dividends per common share declared and paid are as follows:

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Dividends per common share	\$ 0.13	\$ 0.11	\$ 0.37	\$ 0.33



**NOTE 19 – SEGMENT ANALYSIS**

We currently operate through the following eight business segments: Private Client Group; Capital Markets; Asset Management; RJ Bank; Emerging Markets; Securities Lending (formerly named “Stock Loan/Borrow”); Proprietary Capital and various corporate activities combined in the “Other” segment. The business segments are based upon factors such as the services provided and the distribution channels served and are consistent with how we assess performance and determine how to allocate our resources throughout our subsidiaries. For a further discussion of our business segments, see Note 25, pages 133 – 135, of our 2010 Form 10-K.

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

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
<b>Revenues:</b>				
Private Client Group	\$ 557,017	\$ 486,566	\$ 1,633,080	\$ 1,409,761
Capital Markets	162,695	154,077	513,130	437,620
Asset Management	58,458	49,296	169,386	147,910
RJ Bank	67,836	69,647	214,376	210,099
Emerging Markets	14,449	4,391	35,000	11,993
Securities Lending	1,502	2,573	4,731	6,666
Proprietary Capital	13,716	4,445	14,111	17,093
Other	1,286	2,217	8,263	6,013
Intersegment eliminations	(8,747)	(9,600)	(26,788)	(30,887)
<b>Total revenues <sup>(1)</sup></b>	<b>\$ 868,212</b>	<b>\$ 763,612</b>	<b>\$ 2,565,289</b>	<b>\$ 2,216,268</b>
<b>Income (Loss) excluding noncontrolling interests and before provision for income taxes:</b>				
Private Client Group	\$ 53,317	\$ 44,792	\$ 155,047	\$ 113,047
Capital Markets	14,191	19,623	72,526	53,016
Asset Management	17,593	12,152	48,414	35,453
RJ Bank	42,093	29,185	130,813	84,644
Emerging Markets	2,710	(1,109)	4,223	(4,091)
Securities Lending	323	720	1,177	2,053
Proprietary Capital	6,616	3,090	2,442	2,236
Other	(58,176) <sup>(2)</sup>	(10,942)	(79,224) <sup>(2)</sup>	(29,803)
Pre-tax income excluding noncontrolling interests	78,667	97,511	335,418	256,555
Add: net income (loss) attributable to noncontrolling interests	2,412	(2,164)	(3,355)	113
<b>Income including noncontrolling interests and before provision for income taxes</b>	<b>\$ 81,079</b>	<b>\$ 95,347</b>	<b>\$ 332,063</b>	<b>\$ 256,668</b>

(1) No individual client accounted for more than ten percent of total revenues in any of the periods presented.

(2) The Other segment for the period ended June 30, 2011 includes a \$45 million pre-tax loss provision for auction rate securities (see further discussion of this matter in Note 13).

**Net interest income (expense):**

Private Client Group	\$ 17,740	\$ 14,325	\$ 49,905	\$ 40,957
Capital Markets	617	1,841	4,045	3,561
Asset Management	26	24	78	72
RJ Bank	65,104	62,466	206,243	195,279
Emerging Markets	215	26	843	78
Securities Lending	931	1,317	2,986	3,750
Proprietary Capital	145	1,698	325	1,756
Other	(6,771)	(5,156)	(16,412)	(15,515)
<b>Net interest income</b>	<b>\$ 78,007</b>	<b>\$ 76,541</b>	<b>\$ 248,013</b>	<b>\$ 229,938</b>

The following table presents our total assets on a segment basis:

	<u>June 30, 2011</u>	<u>September 30, 2010</u>
	(in thousands)	
<b>Total assets:</b>		
Private Client Group <sup>(1)</sup>	\$ 4,586,557	\$ 4,053,054
Capital Markets <sup>(2)</sup>	1,542,960	1,791,618
Asset Management	63,383	62,850
RJ Bank	7,902,969	10,818,240
Emerging Markets	78,671	27,538
Securities Lending	709,314	680,326
Proprietary Capital	174,852	167,010
Other	1,058,403	282,445
<b>Total</b>	<u>\$ 16,117,109</u>	<u>\$ 17,883,081</u>

(1) Includes \$48 million of goodwill.

(2) Includes \$24 million of goodwill.

We have operations in the United States, Canada, Europe and joint ventures in Latin America. Substantially all long-lived assets are located in the United States. Revenues and income before provision for income taxes and excluding noncontrolling interests, classified by major geographic areas in which they are earned, are as follows:

	<u>Three months ended June 30,</u>		<u>Nine months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	(in thousands)			
<b>Revenues:</b>				
United States	\$ 752,726	\$ 669,673	\$ 2,208,322	\$ 1,965,424
Canada	83,478	75,094	270,492	196,685
Europe	17,416	14,489	50,557	42,392
Other	14,592	4,356	35,918	11,767
<b>Total</b>	<u>\$ 868,212</u>	<u>\$ 763,612</u>	<u>\$ 2,565,289</u>	<u>\$ 2,216,268</u>
<b>Pre-tax income (loss) excluding noncontrolling interests:</b>				
United States	\$ 67,935	\$ 91,003	\$ 296,857	\$ 249,690
Canada	9,063	7,665	36,861	11,875
Europe	(781)	83	(2,497)	(899)
Other	2,450	(1,240)	4,197	(4,111)
<b>Total</b>	<u>\$ 78,667</u>	<u>\$ 97,511</u>	<u>\$ 335,418</u>	<u>\$ 256,555</u>

Our total assets, classified by major geographic area in which they are held are presented below:

	<u>June 30, 2011</u>	<u>September 30, 2010</u>
	(in thousands)	
<b>Total assets:</b>		
United States <sup>(1)</sup>	\$ 14,426,663	\$ 16,369,401
Canada <sup>(2)</sup>	1,565,019	1,443,943
Europe <sup>(3)</sup>	50,403	28,057
Other	75,024	41,680
<b>Total</b>	<u>\$ 16,117,109</u>	<u>\$ 17,883,081</u>

(1) Includes \$32 million of goodwill.

(2) Includes \$33 million of goodwill.

(3) Includes \$7 million of goodwill.

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

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand our results of operations and our financial condition. Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, our unaudited condensed consolidated financial statements and unaudited accompanying notes to the condensed consolidated financial statements. Where "NM" is used in various percentage change computations presented in this Item 2, the computed percentage change has been determined not to be meaningful.

### **Factors Affecting "Forward-Looking Statements"**

From time to time, Raymond James Financial, Inc. ("RJF"), together with its subsidiaries hereinafter collectively referred to as "our," "we" or "us," 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, allowance for loan loss levels at Raymond James Bank, FSB ("RJ Bank"), projected ventures, new products, anticipated market performance, recruiting efforts, regulatory approvals, auction rate securities ("ARS"), and other 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, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, are discussed in the section entitled "Risk Factors" of Item 1A of Part I included in our Annual Report on Form 10-K for the year ended September 30, 2010, as filed with the United States of America ("U.S.") Securities and Exchange Commission (the "2010 Form 10-K") and in Item 1A of Part II of this report on Form 10-Q. We do not undertake any obligation to publicly update or revise any forward-looking statements.

### **Executive Overview**

Results in the investment businesses in which we operate are highly correlated to the direction of the U.S. equity markets specifically and more generally to the overall strength of economic conditions. Overall market conditions, interest rates, economic, political and regulatory trends, and industry competition are among the factors which could affect us and which are unpredictable and beyond our control. These factors may affect the financial decisions made by investors, including their level of participation in the financial markets. They may also impact the level of underwriting activity, trading profits and asset valuations. In turn, these decisions may affect our business results.

#### Quarter ended June 30, 2011 compared with the quarter ended June 30, 2010

Notwithstanding the unsettled market conditions during the quarter, most of our businesses performed well. Our net revenues of \$850 million approximated the prior quarter, and represented a 14% improvement over the prior year quarter. This improvement over the prior year quarter was led by revenue increases in most of our primary segments driven by successful execution of our growth strategies in each of these businesses. Non-interest expenses increased \$117 million, or 18%, from the prior year quarter. Included in such expenses is a one-time \$45 million loss provision for auction rate securities (see further discussion below). Excluding this one-time charge, non-interest expenses would have increased \$72 million, or 11%, primarily due to higher variable compensation costs resulting from the increases in commissions and investment banking revenues, partially offset by a \$9 million, or 51%, decrease in the bank loan loss provision.

Our pre-tax income decreased \$19 million, or 19%, as compared to the prior year quarter. Excluding the \$45 million one-time loss provision for ARS, pre-tax income would have increased 27%. We generated net income of nearly \$47 million in the current quarter, a \$14 million, or 23%, decrease as compared to the prior year quarter. Excluding the one-time charge and its associated income tax effect, net income would have been nearly \$75 million (a non-GAAP measure), an increase of 23% over the prior year quarter.

As compared to the prior year quarter, our financial results were most significantly impacted by:

- An \$8.5 million, or 19%, increase in the pre-tax income of our Private Client Group (“PCG”) segment. This increase resulted from a combination of favorable factors including the increased activity levels of our private clients due to an improved level of confidence in the equity markets and our continued realization of the benefits of our active recruiting over the past two years evidenced by increased financial advisor productivity.
- A \$12.9 million, or 44%, increase in the pre-tax income generated by RJ Bank. This increase primarily resulted from a significantly lower loan loss provision resulting from improved credit quality.
- A \$5.4 million, or 45%, increase in pre-tax income generated by our Asset Management segment. Assets under management increased resulting from both increased valuations in the equity markets and the net inflows of client assets.
- A \$5.4 million, or 28%, decrease in the pre-tax income of our Capital Markets segment. Investment banking revenues in the current quarter increased over the prior year quarter; however, results were significantly impacted by decreases in both equity and fixed income institutional sales commissions resulting from this quarter’s unsettled financial markets.
- A one-time, pre-tax \$45 million loss provision for ARS.

On April 1, 2011 we completed our previously announced acquisition of Howe Barnes Hoefer and Arnett, Inc. (“Howe Barnes”). This acquisition reflects our growth strategy to expand both our capital markets and our private client presence in strategic markets. Our operating results for the current quarter include certain one-time expenses related to this acquisition.

On April 11, 2011, we completed a sale of \$250 million of 4.25% senior notes, due April 2016. With our resultant liquidity, we believe we are well positioned to execute our growth strategies in each of our core businesses.

On June 29, 2011, we settled the ARS matter with various regulatory agencies by offering to repurchase certain ARS from our clients, or former clients. We believe that even though the one-time \$45 million pre-tax loss provision for auction rate securities was significant, the resolution of the ARS matter was in the best interests of our clients and the firm. Although there can be no assurances, we anticipate that our ultimate loss, which will be the difference between the ARS repurchased at par and the amount we ultimately receive over time from either future issuer redemptions, maturities, or sales, will be lower than the loss provision. We anticipate the great majority of the ARS repurchases subject to the offer will have occurred prior to September 30, 2011.

As we anticipated, regulations continue to arise under the Dodd-Frank Wall Street Reform & Consumer Protection Act (“Dodd-Frank”) many of which have yet to be adopted by various regulatory agencies. We continue to closely monitor this rule making process and while the exact impact of new rules on our business is still uncertain, our expectation remains that the legislation will not have a significant impact on our operations. We do anticipate an increase in compliance costs once any new rules are adopted. There has been no change in our expectations regarding how this new legislation will impact the regulation and oversight of RJ Bank. Effective July 21, 2011, the Office of Thrift Supervision (“OTS”) was merged into the Office of the Comptroller of the Currency (“OCC”), at which time RJF became subject to the supervision of the Board of Governors of the Federal Reserve System (“FRB”). We continue to anticipate a change in RJ Bank’s federal charter to become effective some time during calendar year 2011, upon the conversion of RJ Bank to a national bank.

#### Nine months ended June 30, 2011 compared with the nine months ended June 30, 2010

Our net revenues improved by \$347 million, or 16%, to \$2.52 billion for the nine month period ended June 30, 2011 as compared to the prior year period. Non-interest expenses increased \$272.1 million, or 14%, to \$2.2 billion, driven primarily by higher variable compensation costs resulting from the increase in commissions, investment banking revenues, and overall firm profitability and the one-time \$45 million loss provision for ARS, partially offset by a \$31.6 million, or 53%, decrease in the bank loan loss provision. We generated net income of \$209.4 million, a \$50.2 million, or 32%, improvement over the prior year period. Excluding the \$45 million loss provision for ARS and its associated income tax effect, net income would have increased 49% (a non-GAAP measure).

Our financial results during the nine month period were most significantly impacted by the factors described for the three month period unless otherwise noted:

- A \$42 million, or 37%, increase in the pre-tax income of our PCG segment.
- A \$46.2 million, or 55%, increase in the pre-tax income generated by RJ Bank. This increase resulted from the factors described above and an increase in net interest income (\$6 million arising from a one-time adjustment recorded during the first quarter of fiscal year 2011).
- A \$19.5 million, or 37%, increase in the pre-tax income of our Capital Markets segment.
- A \$13 million, or 37%, increase in pre-tax income generated by our Asset Management segment.

#### Segments

We currently operate through the following eight business segments: PCG; Capital Markets; Asset Management; RJ Bank; Emerging Markets; Securities Lending (formerly named “Stock Loan/Borrow”); Proprietary Capital and certain corporate activities in the Other segment.

The following table presents our consolidated and segment gross revenues and pre-tax income excluding noncontrolling interests for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	2010	% Change	2011	2010	% Change
	(\$ in thousands)					
<b>Total company</b>						
Revenues	\$ 868,212	\$ 763,612	14%	\$ 2,565,289	\$ 2,216,268	16%
Pre-tax income excluding noncontrolling interests	78,667	97,511	(19)%	335,418	256,555	31%
<b>Private Client Group</b>						
Revenues	\$ 557,017	\$ 486,566	14%	\$ 1,633,080	\$ 1,409,761	16%
Pre-tax income	53,317	44,792	19%	155,047	113,047	37%
<b>Capital Markets</b>						
Revenues	162,695	154,077	6%	513,130	437,620	17%
Pre-tax income	14,191	19,623	(28)%	72,526	53,016	37%
<b>Asset Management</b>						
Revenues	58,458	49,296	19%	169,386	147,910	15%
Pre-tax income	17,593	12,152	45%	48,414	35,453	37%
<b>RJ Bank</b>						
Revenues	67,836	69,647	(3)%	214,376	210,099	2%
Pre-tax income	42,093	29,185	44%	130,813	84,644	55%
<b>Emerging Markets</b>						
Revenues	14,449	4,391	229%	35,000	11,993	192%
Pre-tax income (loss)	2,710	(1,109)	344%	4,223	(4,091)	203%
<b>Securities Lending</b>						
Revenues	1,502	2,573	(42)%	4,731	6,666	(29)%
Pre-tax income	323	720	(55)%	1,177	2,053	(43)%
<b>Proprietary Capital</b>						
Revenues	13,716	4,445	209%	14,111	17,093	(17)%
Pre-tax income	6,616	3,090	114%	2,442	2,236	9%
<b>Other</b>						
Revenues	1,286	2,217	(42)%	8,263	6,013	37%
Pre-tax loss	(58,176) <sup>(1)</sup>	(10,942)	(432)%	(79,224) <sup>(1)</sup>	(29,803)	(166)%
<b>Intersegment eliminations</b>						
Revenues	(8,747)	(9,600)	9%	(26,788)	(30,887)	13%

(1) The Other segment for the period ended June 30, 2011 includes a \$45 million pre-tax loss provision for auction rate securities (see further discussion of this matter in Note 13 in the Notes to Condensed Consolidated Financial Statements).

## Net Interest Analysis

We have certain assets and liabilities that are subject to changes in interest rates; these changes in interest rates have an impact on our overall financial performance. Given the nature and relationship of our interest-sensitive assets to liabilities, an increase in short-term interest rates would result in an increase in our net earnings primarily resulting from interest revenues increasing more than our interest expense (reflecting an increase in our spreads). The amount of benefit would be dependent upon a variety of factors, including, but not limited to, the change in balances, the rapidity and magnitude of the increase in rates, and the interest rates paid on client cash balances.

### Quarter ended June 30, 2011 compared with the quarter ended June 30, 2010 – Net Interest Analysis

The following table presents average balance data and interest income and expense data, as well as the related net interest income:

	Three months ended June 30,					
	2011			2010		
	Average Balance	Interest Inc./Exp.	Average Yield/Cost	Average Balance	Interest Inc./Exp.	Average Yield/Cost
(\$ in thousands)						
<b>Interest-earning assets:</b>						
Margin balances	\$ 1,520,849	\$ 13,341	3.52%	\$ 1,385,893	\$ 11,910	3.45%
Assets segregated pursuant to regulations and other segregated assets	2,047,121	2,043	0.40%	1,906,967	2,049	0.43%
Bank loans, net of unearned income <sup>(1)</sup>	6,265,346	64,824	4.11%	6,306,762	62,168	3.92%
Available for sale securities <sup>(1)</sup>	379,875	2,382	2.52%	502,521	4,349	3.47%
Trading instruments		5,067			5,125	
Stock borrow		1,420			2,492	
Interest-earning assets of variable interest entities		-			-	
Other		6,755			4,687	
<b>Total interest income</b>		<b>95,832</b>			<b>92,780</b>	
<b>Interest-bearing liabilities:</b>						
Brokerage client liabilities	3,464,879	829	0.10%	2,918,811	896	0.12%
Bank deposits <sup>(1)</sup>	6,591,275	2,804	0.17%	6,561,555	3,938	0.24%
Stock loan		489			1,175	
Borrowed funds		804			1,516	
Senior notes	549,478	8,968	6.62%	299,953	6,523	8.60%
Interest expense of variable interest entities		1,430			1,026	
Other		2,501			1,165	
<b>Total interest expense</b>		<b>17,825</b>			<b>16,239</b>	
<b>Net interest income</b>		<b>\$ 78,007</b>			<b>\$ 76,541</b>	

(1) See Results of Operations – RJ Bank in this MD&A for further information.

Net interest income increased \$1.5 million, or 2%, as compared to the same quarter in the prior year. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below. In addition to the activity in those segments, our net interest income in the current quarter was negatively impacted by \$2.3 million of interest expense associated with our April 2011 issuance of \$250 million of 4.25% senior notes.

RJ Bank's net interest income increased \$2.6 million, or 4%. The net increase resulted from an increase in the yield on interest-earning assets and a decrease in the cost of funds. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Net interest income in the PCG segment increased \$3.4 million, resulting primarily from increased client margin balances combined with slightly higher spreads.

Nine months ended June 30, 2011 compared with the nine months ended June 30, 2010 – Net Interest Analysis

The following table presents average balance data and interest income and expense data, as well as the related net interest income:

	Nine months ended June 30,					
	2011			2010		
	Average Balance	Interest Inc./Exp.	Average Yield/Cost	Average Balance	Interest Inc./Exp.	Average Yield/Cost
	(\$ in thousands)					
<b>Interest-earning assets:</b>						
Margin balances	\$ 1,487,812	\$ 38,748	3.48%	\$ 1,342,882	\$ 34,300	3.41%
Assets segregated pursuant to regulations and other segregated assets	1,936,838	6,118	0.42%	1,856,291	5,626	0.41%
Bank loans, net of unearned income <sup>(1)</sup>	6,222,486	205,410	4.33%	6,505,387	193,564	3.94%
Available for sale securities <sup>(1)</sup>	414,837	8,819	2.84%	543,456	13,906	3.42%
Trading instruments		16,379			13,172	
Stock borrow		4,384			6,401	
Interest-earning assets of variable interest entities		1			13	
Other		17,170			10,445	
<b>Total interest income</b>		<b>297,029</b>			<b>277,427</b>	
<b>Interest-bearing liabilities:</b>						
Brokerage client liabilities	3,269,044	2,564	0.10%	2,963,781	2,724	0.12%
Bank deposits <sup>(1)</sup>	6,620,592	9,561	0.19%	7,051,091	12,196	0.23%
Stock loan		1,398			2,651	
Borrowed Funds		3,098			4,561	
Senior notes	549,478	22,014	6.62%	299,952	19,568	8.60%
Interest expense of variable interest entities		4,563			3,252	
Other		5,818			2,537	
<b>Total interest expense</b>		<b>49,016</b>			<b>47,489</b>	
<b>Net interest income</b>		<b>\$ 248,013</b>			<b>\$ 229,938</b>	

(1) See Results of Operations – RJ Bank in this MD&A for further information.

Net interest income for the nine months ended June 30, 2011 increased by \$18.1 million, or 8%, as compared to the same period in the prior year. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below. In addition to the activity in those segments, our net interest income was negatively impacted during the current period by \$2.3 million of interest expense associated with our April 2011 issuance of \$250 million of 4.25% senior notes.

RJ Bank's net interest income for the nine month period increased \$11 million, or 6%, primarily resulting from the \$6 million first quarter of fiscal 2011 correction of an accumulated interest income understatement in prior years related to purchased residential mortgage loan pools and an increase in net interest margin. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Net interest income in the PCG segment increased \$8.9 million, resulting primarily from increased client margin balances and slightly higher interest rates thereon.



## Results of Operations – Private Client Group

The following table presents consolidated financial information for our PCG segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Revenues:</b>						
Securities commissions and fees	\$ 463,072	14%	\$ 404,767	\$ 1,359,673	16%	\$ 1,174,066
Interest	19,818	22%	16,229	56,462	22%	46,370
Financial service fees	34,981	(9)%	38,328	110,349	1%	109,637
Other	39,146	44%	27,242	106,596	34%	79,688
<b>Total revenues</b>	<b>557,017</b>	<b>14%</b>	<b>486,566</b>	<b>1,633,080</b>	<b>16%</b>	<b>1,409,761</b>
Interest expense	2,078	9%	1,904	6,557	21%	5,413
<b>Net revenues</b>	<b>554,939</b>	<b>15%</b>	<b>484,662</b>	<b>1,626,523</b>	<b>16%</b>	<b>1,404,348</b>
<b>Non-interest expenses:</b>						
Sales commissions	337,958	14%	296,606	998,168	15%	865,807
Admin & incentive comp and benefit costs	89,236	10%	81,163	259,102	13%	229,493
Communications and information processing	19,158	32%	14,496	53,920	22%	44,126
Occupancy and equipment	19,006	(5)%	19,919	57,256	(3)%	58,852
Business development	13,754	13%	12,130	40,819	6%	38,583
Clearance and other	22,585	44%	15,688	62,508	14%	54,806
<b>Total non-interest expenses</b>	<b>501,697</b>	<b>14%</b>	<b>440,002</b>	<b>1,471,773</b>	<b>14%</b>	<b>1,291,667</b>
<b>Income before taxes and including noncontrolling interests</b>	<b>53,242</b>	<b>19%</b>	<b>44,660</b>	<b>154,750</b>	<b>37%</b>	<b>112,681</b>
Noncontrolling interests	(75)		(132)	(297)		(366)
<b>Pre-tax income excluding noncontrolling interests</b>	<b>\$ 53,317</b>	<b>19%</b>	<b>\$ 44,792</b>	<b>\$ 155,047</b>	<b>37%</b>	<b>\$ 113,047</b>
<b>Margin on net revenues</b>	<b>9.6%</b>		<b>9.2%</b>	<b>9.5%</b>		<b>8.0%</b>

Through our PCG segment, we provide securities transaction and financial planning services to client accounts through the branch office systems of our broker-dealer subsidiaries located throughout the United States, Canada and the United Kingdom. Our financial advisors offer a broad range of investments and services, including both third-party and proprietary products, and a variety of financial planning services. We charge sales commissions or asset-based fees for investment services we provide to our PCG clients based on established schedules. Our financial advisors offer a number of professionally managed load mutual funds, as well as a selection of no-load funds. Net interest revenue in the PCG segment is generated by customer balances, predominately the earnings on margin loans and assets segregated pursuant to regulations, less interest paid on customer cash balances ("Client Interest Program"). The PCG segment earns a fee (in lieu of interest revenue) from the Raymond James Bank Deposit Program ("RJBDP"), a program where clients' cash deposits in their brokerage accounts are re-deposited through a third-party service into interest-bearing deposit accounts at a number of banks. The RJBDP program enables clients to obtain up to \$2.5 million in individual Federal Deposit Insurance Corporation ("FDIC") deposit insurance coverage (\$5 million for joint accounts) in addition to earning competitive rates for their cash balances.

The success of the PCG segment is dependent upon the quality of our products, services, financial advisors and support personnel including our ability to attract, retain and motivate a sufficient number of these associates. We face competition for qualified associates from major financial services companies, including other brokerage firms, insurance companies, banking institutions and discount brokerage firms. We currently offer several affiliation alternatives for financial advisors ranging from the traditional branch setting, under which the financial advisors are our employees and we incur the costs associated with operating the branch, to the independent contractor model, under which the independent contractor financial advisor is responsible for all of their own direct costs. Accordingly, the independent contractor financial advisors are paid a larger percentage of commissions. By offering alternative models to potential and existing financial advisors, we are 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.

Revenues of the PCG segment are correlated with total client assets under administration. As of June 30, 2011, total client assets under administration amounted to \$278 billion, an increase of 1% over the preceding quarter and up 20% over the June 30, 2010 total.

The following table presents the number of PCG financial advisors as of the periods indicated:

	Employee	Independent Contractors	June 30, 2011 Total	June 30, 2010 Total
<b>Private Client Group - financial advisors:</b>				
Raymond James & Associates ("RJ&A")	1,300	-	1,300	1,277
Raymond James Financial Services, Inc. ("RJFS")	-	3,192	3,192	3,238
Raymond James Limited ("RJ Ltd.")	195	250	445	436
Raymond James Investment Services Limited ("RJIS")	-	156	156	144
Total financial advisors	1,495	3,598	5,093	5,095

Quarter ended June 30, 2011 compared with the quarter ended June 30, 2010 – Private Client Group

Pre-tax income in the PCG segment increased \$8.5 million, or 19%, as compared to the same quarter in the prior year.

Net revenues increased \$70.3 million, or 15%. PCG's pre-tax margins were 9.6% of net revenues, a modest improvement over the prior year quarter. Securities commissions and fees increased \$58.3 million, or 14%, resulting from a number of favorable factors. Although equity market levels decreased from the preceding quarter, as compared to the prior year quarter, client assets under administration in this segment increased 20%, which favorably impacts the related fee income. We continue to realize benefits in the form of increased commission and fee revenues from the successful financial advisors recruited during fiscal 2008 and 2009. These favorable factors are evidenced in part by a 13% increase in productivity of both domestic independent contractor financial advisors as well as domestic employee financial advisors, over the prior year quarter. The total number of financial advisors increased over the preceding quarter, and is relatively equivalent to the prior year level. Recruiting results in the past twelve months have not been significant as the recruiting market dynamics have not been consistent with our profitability objectives.

The portion of commission and fee revenues that we consider to be recurring is consistent with the March, 2011 quarter at approximately 60%. Assets in fee-based accounts increased to \$73.4 billion from \$55.6 billion on June 30, 2010. Recurring commission and fee revenues also include trails from mutual funds, variable annuities and insurance products.

PCG interest revenues increased by \$3.6 million, or 22%. Factors favorably impacting the increase include; a 10% increase in client margin balances, to approximately \$1.5 billion, partially offset by a slight decrease in the associated domestic interest rate. Interest revenue earned in our Canadian operations increased due to an increase in both interest rates and customer reserve balances.

Other revenues increased by \$11.9 million, or 44%, primarily resulting from increases in marketing support fees, omnibus fees, networking fees, and other fees, all of which are earned from mutual fund companies or annuity carriers, whose products we distribute. We are continuing the process of changing our data sharing arrangements with many mutual fund companies from a network to an omnibus arrangement. The fees earned from omnibus arrangements are greater than those under networking arrangements in order to compensate for the additional reporting requirements performed by the broker-dealers under omnibus arrangements. In addition, a number of mutual fund companies converted to a no-transaction fee program and as a result, pay us increased fees (which are included within other revenues) and our clients no longer pay us transaction fees (which are included within financial service fee revenue). Therefore, financial services fee revenue has declined.

Sales commission expense increased \$41.4 million, or 14%, directly related to the 14% increase in commission revenues.

Administrative and incentive compensation expenses increased \$8.1 million, or 10%, primarily resulting from: annual increases in salaries and benefits, increases in incentive compensation related to the higher level of profitability, and increased expense resulting from the Howe Barnes acquisition including certain one-time severance expenses.

Communications and information processing expenses increased 32% as a result of our renewed focus on systems and external costs associated with the omnibus program.

Clearance and other expenses increased by \$6.9 million, or 44%, as compared to the prior year quarter. Other expenses in the current quarter include increases in certain legal and other expenses including a portion of the fine associated with the ARS settlement.

Nine months ended June 30, 2011 compared with the nine months ended June 30, 2010 – Private Client Group

Pre-tax income in the PCG segment increased \$42 million, or 37%, for the nine months as compared to the prior year period.

Net revenues increased \$222.2 million, or 16%. PCG's margins were 9.5% of net revenues, a 1.5% improvement over the prior year period. Securities commissions and fees increased \$185.6 million, or 16%, resulting from a number of favorable factors. First and foremost, equity market conditions were improved as compared to the prior year period. Asset values increased, favorably impacting fees arising from client assets under administration. Additionally, we are realizing the benefits in the form of increased commission and fee revenues as the financial advisors that joined us during our very active 2008-2009 recruiting period return to/exceed their historic levels of production.

PCG interest revenues increased by \$10.1 million, or 22%, resulting from an increase in client margin balances and a slight increase in the interest rate earned on customer reserve (segregated assets) and client margin balances. Interest earned in our Canadian operations increased due to an increase in both interest rates and customer reserve balances.

Other revenues increased by \$26.9 million, or 34%, primarily resulting from increases in marketing support fees, omnibus fees and networking fees.

Sales commission expense increased by \$132.4 million, or 15%, directly related to the 16% increase in commission revenues. Administrative and incentive compensation expenses increased \$29.6 million, or 13%. The increase primarily results from annual increases in salaries and benefits and increases in incentive compensation related to the higher level of profitability. Clearance and other expenses increased \$7.7 million, or 14%, as compared to the prior year period. Clearance expense increases over the prior year period are correlated with the increase in securities commissions and fees revenues. An increase in other expense in the current year period includes increased legal expenses and a portion of the fine associated with the ARS settlement, partially offset by other expense incurred in the prior year period resulting from an arbitration panel's significant adverse decision.

## Results of Operations – Capital Markets

The following table presents consolidated financial information for our Capital Markets segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Revenues:</b>						
Institutional sales commissions:						
Equity	\$ 61,772	(6)%	\$ 65,927	\$ 198,123	15%	\$ 172,547
Fixed income	27,875	(22)%	35,589	94,445	(15)%	110,569
Underwriting fees	29,251	6%	27,517	94,220	47%	63,916
Tax credit funds syndication fees	3,362	117%	1,549	13,558	39%	9,747
Mergers & acquisitions fees	21,927	75%	12,528	60,835	64%	37,023
Private placement fees	329	-	330	544	(64)%	1,530
Trading profits	6,060	227%	1,854	23,292	16%	20,062
Interest	5,486	4%	5,266	17,145	31%	13,095
Other	6,633	89%	3,517	10,968	20%	9,131
<b>Total revenues</b>	<b>162,695</b>	<b>6%</b>	<b>154,077</b>	<b>513,130</b>	<b>17%</b>	<b>437,620</b>
Interest expense	4,869	42%	3,425	13,100	37%	9,534
<b>Net revenues</b>	<b>157,826</b>	<b>5%</b>	<b>150,652</b>	<b>500,030</b>	<b>17%</b>	<b>428,086</b>
<b>Non-interest expenses:</b>						
Sales commissions	29,446	(15)%	34,747	99,940	-	100,085
Admin & incentive compensation and benefit costs	80,115	16%	68,833	236,779	22%	194,544
Communications and information processing	11,984	27%	9,432	33,225	18%	28,043
Occupancy and equipment	6,149	27%	4,838	16,759	16%	14,495
Business development	10,099	43%	7,048	25,466	31%	19,501
Clearance and other	10,071	13%	8,886	29,931	1%	29,704
<b>Total non-interest expenses</b>	<b>147,864</b>	<b>11%</b>	<b>133,784</b>	<b>442,100</b>	<b>14%</b>	<b>386,372</b>
<b>Income before taxes and including noncontrolling interests</b>	<b>9,962</b>	<b>(41)%</b>	<b>16,868</b>	<b>57,930</b>	<b>39%</b>	<b>41,714</b>
Noncontrolling interests	(4,229)		(2,755)	(14,596)		(11,302)
<b>Pre-tax income excluding noncontrolling interests</b>	<b>\$ 14,191</b>	<b>(28)%</b>	<b>\$ 19,623</b>	<b>\$ 72,526</b>	<b>37%</b>	<b>\$ 53,016</b>

The Capital Markets segment consists primarily of equity and fixed income products and services. The activities include institutional sales and trading in the U.S., 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. We provide securities brokerage services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. Institutional sales commissions 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 we are 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, our clients as well as 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, as well as market trends for the individual securities during the period we hold them.

#### Quarter ended June 30, 2011 compared with the quarter ended June 30, 2010 – Capital Markets

Pre-tax income in the Capital Markets segment decreased \$5.4 million, or 28%, as compared to the same quarter in the prior year.

Net revenues increased by \$7.2 million, or 5%, primarily resulting from a \$9.4 million, or 75%, increase in merger and acquisition fees, a \$4.2 million, or 227% increase in trading profits, a \$1.8 million, or 117%, increase in tax credit funds syndication fees, and a \$1.7 million, or 6%, increase in underwriting fees, all of which were partially offset by decreases in institutional fixed income sales commissions of \$7.7 million, or 22%, and institutional equity sales commissions of \$4.2 million, or 6%. Merger and acquisition fee activity increased, primarily led by our business services, and technology and communications industry groups. The volume of tax credit fund equity syndicated increased significantly in the current quarter over the prior year quarter, resulting in an increase in tax credit funds syndication fee revenues. The current year quarter trading profits are significantly less than the March, 2011 quarter, but still compare favorably to the prior year quarter. Trading profits in the June 2010 quarter, primarily related to fixed income products, were lower than the quarterly average during the past two years as that quarter included the “flash crash” and the subsequent “flight to quality.” Uncertainty in the bond markets during the current quarter arising from issues related to the U.S. debt ceiling and solvency problems in several European countries adversely impacted the fixed income markets. In addition to their impact on our trading profits, these issues, along with the slowdown of the U.S. economic recovery, led to the lower equity and fixed income institutional sales commissions in the current quarter.

Non-interest expenses increased \$14.1 million, or 11%. Administrative and incentive compensation expense increased \$11.3 million, or 16%, the result of a number of factors including: the growth in the number of fixed income investment bankers, an increase in equity capital markets investment bankers in part arising from the Howe Barnes acquisition, increased expenses resulting from the consolidation of Raymond James European Securities, Inc. (“RJES”), a subsidiary in which we acquired a controlling interest in during the current quarter, and certain one-time expenses incurred during the quarter as a result of the Howe Barnes acquisition. Business development expense increased \$3.1 million, or 43%, with increases in both our domestic and Canadian capital markets groups which reflect our efforts to grow these businesses in light of improving market outlooks as compared to prior years. Other expenses in the current quarter include increases in certain legal and other expenses including a portion of the fine associated with the ARS settlement. Partially offsetting the increases noted above, sales commission expense decreased \$5.3 million, or 15%, which is correlated with the 12% decrease in total institutional sales commission revenues.

Noncontrolling interests represent the impact of consolidating certain low-income housing tax credit funds, which also impacts other revenue, interest expense, and other expenses within this segment (see Note 7 of the Notes to Condensed Consolidated Financial Statements for further details) as well as the impact of RJES, initially consolidated in the current quarter, and reflects the portion which we do not own.

#### Nine months ended June 30, 2011 compared with the nine months ended June 30, 2010 – Capital Markets

Pre-tax income in the Capital Markets segment increased \$19.5 million, or 37%, for the nine months as compared to the prior year period.

Net revenues increased by \$71.9 million, or 17%, primarily resulting from a \$25.6 million, or 15%, increase in institutional equity sales commissions, a \$30.3 million, or 47%, increase in underwriting fees, and a \$23.8 million, or 64%, increase in merger and acquisition fees, which were partially offset by a \$16.1 million, or 15%, reduction in institutional fixed income commissions. The number of both lead and co-managed underwritings in our U.S. and Canadian operations increased during the current nine month period. This increase in activity reflects the improved equity markets, especially in natural resources in Canada, where our underwriting activities have been particularly strong. Merger and acquisition fee activity increased primarily in our business services, consumer and technology and communications industry groups. Trading profits increased \$3.2 million, or 16%, reflecting continued relatively strong levels in what have been for the most part, unsettled fixed income markets during the current year. We executed strategies to increase the number of capital markets professionals, predominately in fixed income, during recent years. Our increased revenues in the current year period in part, reflect the realization of the benefits from those successful efforts.

Non-interest expenses increased \$55.7 million, or 14%. Administrative and incentive compensation expense increased \$42.2 million, or 22%, as a result of a number of factors including the incremental growth in the number of fixed income investment bankers, an increase in equity capital markets investment bankers in part arising from the Howe Barnes acquisition, increases in incentive compensation as a result of the improved financial performance of the segment, increased expenses resulting from the consolidation of RJES, and certain one-time expenses incurred in the current period as a result of the Howe Barnes acquisition. Business development expense increased \$6 million, or 31%, with increases in both our domestic and Canadian capital markets groups which reflect our efforts to grow these businesses in light of improving market outlooks as compared to prior years.

Noncontrolling interests represent the impact of consolidating certain low-income housing tax credit funds, which also impacts other revenue, interest expense, and other expenses within this segment (see Note 7 of the Notes to Condensed Consolidated Financial Statements for further details) as well as the impact of RJES, initially consolidated in the June 2011 quarter, and reflects the portion which we do not own.

#### Results of Operations – Asset Management

The following table presents consolidated financial information for our Asset Management segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Revenues:</b>						
Investment advisory fees	\$ 47,881	21%	\$ 39,645	\$ 138,891	18%	\$ 118,202
Other	10,577	10%	9,651	30,495	3%	29,708
<b>Total revenues</b>	<b>58,458</b>	<b>19%</b>	<b>49,296</b>	<b>169,386</b>	<b>15%</b>	<b>147,910</b>
<b>Expenses:</b>						
Administrative and incentive compensation and benefit costs	19,736	15%	17,235	58,392	12%	52,220
Communications and information processing	3,735	(15)%	4,414	11,452	(16)%	13,654
Occupancy and equipment	851	(10)%	942	2,811	(4)%	2,934
Business development	1,821	21%	1,510	5,475	22%	4,497
Investment sub-advisory fees	7,252	12%	6,495	20,417	8%	18,847
Other	7,382	14%	6,490	21,111	10%	19,261
<b>Total expenses</b>	<b>40,777</b>	<b>10%</b>	<b>37,086</b>	<b>119,658</b>	<b>7%</b>	<b>111,413</b>
<b>Income before taxes and including noncontrolling interests</b>	<b>17,681</b>	<b>45%</b>	<b>12,210</b>	<b>49,728</b>	<b>36%</b>	<b>36,497</b>
Noncontrolling interests	88		58	1,314		1,044
<b>Pre-tax income excluding noncontrolling interests</b>	<b>\$ 17,593</b>	<b>45%</b>	<b>\$ 12,152</b>	<b>\$ 48,414</b>	<b>37%</b>	<b>\$ 35,453</b>

The following table presents assets under management and the non-managed fee-based assets that significantly impact segment results at the dates indicated:

	June 30, 2011	September 30, 2010 (in thousands)	June 30, 2010
<b>Assets under management:</b>			
Eagle Asset Management, Inc.	\$ 18,744,508	\$ 15,566,954	\$ 14,474,172
Eagle Money Market Funds	-	-	2,414,479
Raymond James Consulting Services	9,215,116	8,458,178	7,788,027
Unified Managed Accounts	1,652,552	734,750	588,036
Freedom Accounts & other managed programs	10,678,465	8,791,332	7,898,422
<b>Total assets under management</b>	<b>40,290,641</b>	<b>33,551,214</b>	<b>33,163,136</b>
Less: Assets managed for affiliated entities	(3,667,777)	(3,544,197)	(3,245,693)
<b>Net assets under management</b>	<b>\$ 36,622,864</b>	<b>\$ 30,007,017</b>	<b>\$ 29,917,443</b>
<b>Non-managed fee-based assets:</b>			
Passport	\$ 25,829,961	\$ 22,707,602	\$ 20,828,721
Ambassador	14,282,963	10,479,432	9,347,619
Other non-managed fee-based assets	2,445,195	2,022,785	1,825,235
<b>Total</b>	<b>\$ 42,558,119</b>	<b>\$ 35,209,819</b>	<b>\$ 32,001,575</b>

The Asset Management segment includes the operations of Eagle Asset Management, Inc. ("Eagle"), the Eagle Family of Funds, the Asset Management operations of RJ&A, Raymond James Trust, and other fee-based programs. The majority of the revenue for this segment is generated by the investment advisory fees related to asset management services for individual investment portfolios, mutual funds and managed programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average assets. Traditionally about 65% of our investment advisory fees recorded in a quarter are billed based on balances at the beginning of the quarter, 20% are based on balances at the end of the quarter and the remaining 15% are computed based on average assets throughout the quarter. Asset balances are impacted by both the performance of the market and the new sales and redemptions of client accounts/funds. Increasing markets positively impact revenues from investment advisory fees as existing accounts increase in value, and individuals and institutions typically commit incremental funds in rising markets.

Quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 – Asset Management

Pre-tax income in the Asset Management segment increased \$5.4 million, or 45%, as compared to the same quarter in the prior year.

Investment advisory fees increased by \$8.2 million, or 21%, from the prior year period, generated by an increase in assets under management. Assets under management increased during the quarter by \$968.5 million, comprised of \$892.6 million of new client assets, and market appreciation of \$75.9 million. Other revenues increased by over \$900,000, or 10%, primarily due to increased fees at Raymond James Trust.

Expenses increased by \$3.7 million, or 10%, primarily resulting from a \$2.5 million increase in administrative and performance based incentive compensation, and an \$800,000, or 12%, increase in investment sub-advisory fee expenses. Increases in incentive compensation are highly correlated with revenues and portfolio performance. The investment sub-advisory fee expense increase results from the increase in assets held in accounts managed by sub-advisors. Communications and information processing expense decreased \$700,000 while other expense increased \$900,000, the most significant factor being the utilization of a third-party transfer agent during the current quarter. These outsourced services were performed in-house during the prior year quarter.

Nine months ended June 30, 2011 compared to the nine months ended June 30, 2010 – Asset Management

Pre-tax income in the Asset Management segment increased nearly \$13 million, or 37%, for the nine months as compared to the prior year period.

Investment advisory fees increased by \$20.7 million, or 18%, from the prior year period, generated by an increase in assets under management. Assets under management increased during the current fiscal year by \$6.7 billion, comprised of \$2.5 billion of new client assets, and market appreciation of \$4.2 billion.

Expenses increased by \$8.2 million, or 7%, primarily resulting from a \$6.2 million increase in administrative and incentive compensation, and an \$1.6 million, or 8%, increase in investment sub-advisory fee expenses. Increases in incentive compensation are highly correlated with revenues and portfolio performance. The investment sub-advisory fee expense increase results from the increase in assets held in accounts managed by sub-advisors. Communications and information processing expense decreased \$2.2 million while other expense increased \$1.9 million, both of which result from the utilization of a third-party transfer agent during the current nine month period. These outsourced services were performed in-house during the prior year period. Business development expenses increased nearly \$1 million due to an expansion of sales efforts.

**Results of Operations – RJ Bank**

The following table presents consolidated financial information for RJ Bank for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Revenues:</b>						
Interest income	\$ 67,914	1%	\$ 67,080	\$ 216,475	3%	\$ 209,466
Interest expense	2,810	(39)%	4,614	10,232	(28)%	14,187
<b>Net interest income</b>	<b>65,104</b>	<b>4%</b>	<b>62,466</b>	<b>206,243</b>	<b>6%</b>	<b>195,279</b>
Other (loss) income	(78)	(103)%	2,567	(2,099)	(432)%	633
<b>Net revenues</b>	<b>65,026</b>	<b>-</b>	<b>65,033</b>	<b>204,144</b>	<b>4%</b>	<b>195,912</b>
<b>Non-interest expenses:</b>						
Employee compensation and benefits	3,644	25%	2,914	11,014	31%	8,423
Communications and information processing	639	49%	428	1,655	29%	1,280
Occupancy and equipment	231	20%	193	623	4%	600
Provision for loan losses	8,363	(51)%	17,098	28,232	(53)%	59,870
FDIC insurance premiums	1,553	(42)%	2,693	7,007	(19)%	8,636
Affiliate deposit account servicing fees	5,125	1%	5,096	15,139	(13)%	17,324
Other	3,378	(55)%	7,426	9,661	(36)%	15,135
<b>Total non-interest expenses</b>	<b>22,933</b>	<b>(36)%</b>	<b>35,848</b>	<b>73,331</b>	<b>(34)%</b>	<b>111,268</b>
<b>Pre-tax income</b>	<b>\$ 42,093</b>	<b>44%</b>	<b>\$ 29,185</b>	<b>\$ 130,813</b>	<b>55%</b>	<b>\$ 84,644</b>

RJ Bank is a federally chartered savings bank which provides residential, consumer and corporate loans as well as Federal Deposit Insurance Corporation ("FDIC") insured deposit accounts to clients of our broker-dealer subsidiaries and to the general public. RJ Bank also purchases residential whole loan packages to hold for investment and is active in bank participations and corporate loan syndications. RJ Bank funds these loans predominantly from deposits that are cash balances swept from the investment accounts maintained at RJ&A. RJ Bank generates revenue principally through the interest income earned on loans and investments, which is offset by the interest expense it pays on client deposits and on its borrowings.



The tables below present certain credit quality trends for RJ Bank's loan portfolio:

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
<b>Net loan charge-offs:</b>				
Commercial loans	\$ 370	\$ -	\$ 452	\$ -
Commercial real estate ("CRE") loans	3,302	11,553	12,953	39,186
Residential mortgage loans	4,794	6,812	15,860	23,865
Consumer loans	212	-	251	-
Total	<u>\$ 8,678</u>	<u>\$ 18,365</u>	<u>\$ 29,516</u>	<u>\$ 63,051</u>
			<b>June 30, 2011</b>	<b>September 30, 2010</b>
			(in thousands)	
<b>Allowance for loan losses:</b>				
Loans held for sale			\$ 5	\$ 23
<b>Loans held for investment:</b>				
Commercial loans			73,609	60,464
CRE construction loans			427	4,473
CRE loans			35,743	47,771
Residential mortgage loans			35,996	34,297
Consumer loans			20	56
Total			<u>\$ 145,800</u>	<u>\$ 147,084</u>
			<b>June 30, 2011</b>	<b>September 30, 2010</b>
			(in thousands)	
<b>Nonperforming assets:</b>				
<b>Nonperforming loans:</b>				
Commercial Loans			\$ 26,192	\$ -
CRE loans			25,805	67,901
<b>Residential mortgage loans:</b>				
First mortgage loans			87,896	85,852
Home equity loans/lines			168	230
Total nonperforming loans			<u>140,061</u>	<u>153,983</u>
<b>Other real estate owned:</b>				
CRE			10,256	19,486
Residential:				
First mortgage			8,552	8,439
Home equity			13	-
Total other real estate owned			<u>18,821</u>	<u>27,925</u>
Total nonperforming assets			<u>\$ 158,882</u>	<u>\$ 181,908</u>
			<b>June 30, 2011</b>	<b>September 30, 2010</b>
			(in thousands)	
<b>Total loans: <sup>(1)</sup></b>				
Loans held for sale			\$ 70,121	\$ 6,114
<b>Loans held for investment:</b>				
Commercial loans			3,796,539	3,232,723
CRE construction loans			25,381	65,512
CRE loans			783,297	937,669
Residential mortgage loans			1,760,387	2,015,331
Consumer loans			5,897	23,940
Net unearned income and deferred expenses			(43,728)	(39,276)
Total loans held for investment			<u>6,327,773</u>	<u>6,235,899</u>
Total loans			<u>\$ 6,397,894</u>	<u>\$ 6,242,013</u>

(1) Net of unearned income and deferred expenses.

Quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 – RJ Bank

Pre-tax income generated by the RJ Bank segment increased \$12.9 million, or 44%, as compared to the prior year quarter. The significant improvement in pre-tax income was mostly attributable to a \$9 million, or 51%, decrease in the provision for loan losses, a \$2 million reduction in other real estate owned ("OREO") valuation write-downs and a \$2 million reduction in reserve expense for unfunded lending commitments. Net revenues were flat compared to the prior year.

Net interest income increased \$2.6 million, or 4%, compared to the prior year quarter due to a seven basis point increase in the yield on earning assets and an 11 basis point decrease in the cost of funds. The average yield on the total loan portfolio as compared to the prior year quarter increased to 4.11% from 3.92%, resulting from significant new corporate loan production throughout the year at improved spreads. This corporate loan production led to an 8% increase in average corporate loans outstanding compared to the prior year (despite substantial pay-downs of existing corporate loans during this same period) and an increase in the yield to 4.19% from 3.61% during the prior year quarter. Partially offsetting this corporate loan performance, the yield on the residential mortgage loans declined to 3.91% from 4.50% as compared to the prior year quarter due to adjustable rate loans resetting to lower rates and the payoff of higher yielding loans.

Average total loans outstanding decreased \$41 million, or 1%, to \$6.3 billion. This decrease resulted from a 17% decrease in average residential mortgage loans outstanding due to loan repayments exceeding new loan production and purchases, offset by an 8% increase in average corporate loans outstanding.

Average deposits remained constant for both periods at \$6.6 billion reflecting the consistency in average earning asset balances during the periods. Lower interest rates and the maturity of all FHLB borrowings that were outstanding during the prior year quarter led to a \$2 million, or 39%, decrease in interest expense. The average cost of funds decreased from 0.28% to 0.17%.

The provision for loan losses as compared to the prior year quarter was impacted by a reduction in CRE nonperforming loans, an improvement in the credit characteristics of certain problem loans, and the stabilization of the balance of residential mortgage nonperforming loans. In addition, although the amount of nonperforming loans remains elevated by historical standards, somewhat improved economic conditions relative to the prior year quarter has limited the number of new problem loans. The current quarter's provision also includes \$2 million as a result of the impact of the banking regulators' annual Shared National Credit ("SNC") exam. There was no SNC exam impact in the prior year quarter because it was not received until the fourth fiscal quarter.

The amount of nonperforming loans as of June, 2011 increased \$7 million, or 5%, as compared to March 31, 2011. CRE nonperforming loans decreased \$19 million, or 42%, primarily due to the payoff of two and the partial charge-off of one of our nonperforming CRE loans during the quarter. Two commercial loans totaling \$26 million were added to nonperforming loans during the current quarter. Nonperforming residential mortgage loans were relatively flat as compared to the prior quarter. At June 30, 2011 other real estate owned decreased to \$19 million from \$20 million at March 31, 2011 primarily due to residential property sales in excess of new foreclosed property.

Net loan charge-offs for the quarter decreased \$9.7 million, or 53%, from \$18.4 million to \$8.7 million compared to the prior year quarter. This decline in net charge-offs compared to the prior year quarter was primarily due to improved credit quality in the CRE loan portfolio in addition to a stabilization of the balance in nonperforming residential mortgage loans. CRE charge-offs in the prior year quarter included \$9 million related to one CRE loan.

As a result of the increase in corporate loan balances combined with the current quarter provision and charge-off activity, the allowance for loan losses decreased slightly as a percentage of total loans to 2.28% at June 30, 2011 from 2.33% at June 30, 2010.

On June 30, 2011, RJ Bank announced that it entered into a definitive agreement to acquire substantially all of a foreign bank's Canadian, corporate loan portfolio. This loan portfolio consists of approximately \$615 million in loan commitments, of which approximately \$500 million is outstanding. Of the 25 loans we are purchasing, eight are commercial real estate, six are commercial and industrial, and 11 are project finance loans in the power and infrastructure industry sector. The approximate pre-hedged yield to maturity of these loans is 7.40% based on the purchase price and current floating interest rates being paid by these borrowers. The transaction is expected to close prior to September 30, 2011 and is subject to Canadian and U.S. regulatory approvals; the latter of which is still pending. At the time the purchase will be consummated, RJ Bank will determine the appropriate amount of the increase to its allowance for loan losses. Based upon its current estimate, we expect this increase to be approximately \$7 million.

The unrealized loss on our available for sale securities portfolio was \$40 million, compared to \$51 million as of September 30, 2010. The unrealized loss is the result of the continued wide interest rate spreads across market sectors related to the continued uncertainty in the residential non-agency collateralized mortgage obligations (“CMOs”) market.

The \$2.6 million decrease in other income as compared to the prior year quarter was primarily attributable to a \$2 million gain on the sale of equity received in a loan settlement included in the prior year quarter.

The following table presents average balance data and interest income and expense data for our banking operations, as well as the related interest yields/costs, rates and interest spread for the periods indicated:

	Three months ended June 30,					
	2011			2010		
	Average Balance	Interest Inc./Exp.	Average Yield/Cost	Average Balance <sup>(4)</sup>	Interest Inc./Exp. <sup>(4)</sup>	Average Yield/Cost <sup>(4)</sup>
(\$ in thousands)						
<b>Interest-earning banking assets:</b>						
Loans, net of unearned income <sup>(1)</sup>						
Loans held for sale	\$ 24,836	\$ 151	2.43%	\$ 15,608	\$ 145	3.72%
Loans held for investment:						
Commercial loans	3,622,912	39,266	4.31%	3,060,046	28,863	3.77%
CRE construction loans	48,249	353	2.89%	78,113	531	2.69%
CRE loans	764,327	7,238	3.75%	958,625	7,857	3.24%
Residential mortgage loans	1,799,102	17,790	3.91%	2,169,339	24,644	4.50%
Consumer loans	5,920	26	1.76%	25,031	128	2.05%
Total loans, net	6,265,346	64,824	4.11%	6,306,762	62,168	3.92%
Agency mortgage-backed securities	168,982	279	0.66%	217,191	444	0.82%
Non-agency collateralized mortgage obligations	210,893	2,103	3.99%	285,330	3,905	5.47%
Money Market funds, cash and cash equivalents	612,159	389	0.25%	570,372	504	0.35%
FHLB <sup>(2)</sup> stock and other	145,698	319	0.88%	92,578	59	0.26%
Total interest-earning banking assets	7,403,078	\$ 67,914	3.64%	7,472,233	\$ 67,080	3.57%
<b>Non-interest-earning banking assets:</b>						
Allowance for loan losses	(143,356)			(149,435)		
Unrealized loss on available for sale securities	(39,595)			(62,681)		
Other assets	264,305			233,035		
Total non-interest-earning banking assets	81,354			20,919		
Total banking assets	\$ 7,484,432			\$ 7,493,152		
<b>Interest-bearing banking liabilities:</b>						
Deposits:						
Certificates of deposit	\$ 232,735	\$ 1,589	2.74%	\$ 211,487	\$ 1,654	3.14%
Money Market, savings, and NOW <sup>(3)</sup> accounts	6,358,540	1,215	0.08%	6,350,068	2,284	0.14%
FHLB <sup>(2)</sup> advances and other	8,899	6	0.19%	75,362	676	3.55%
Total interest-bearing banking liabilities	6,600,174	\$ 2,810	0.17%	6,636,917	\$ 4,614	0.28%
Non-interest-bearing banking liabilities	42,289			26,105		
Total banking liabilities	6,642,463			6,663,022		
Total banking shareholder's equity	841,969			830,130		
Total banking liabilities and shareholder's equity	\$ 7,484,432			\$ 7,493,152		

(continued on next page)

Three months ended June 30,

	2011			2010		
	Average Balance	Interest Inc./Exp.	Average Yield/Cost	Average Balance <sup>(4)</sup>	Interest Inc./Exp. <sup>(4)</sup>	Average Yield/Cost <sup>(4)</sup>
	(\$ in thousands)					
	(continued from previous page)					
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	\$ 802,904	\$ 65,104		\$ 835,316	\$ 62,466	
<b>Bank net interest:</b>						
Spread			3.47%			3.29%
Margin (net yield on interest-earning banking assets)			3.49%			3.32%
Ratio of interest-earning banking assets to interest-bearing banking liabilities			112.16%			112.59%
<b>Return on average:</b>						
Total banking assets			1.43%			1.00%
Total banking shareholder's equity			12.74%			9.02%
Average equity to average total banking assets			11.25%			11.08%

(1) Nonaccrual loans are included in the average loan balances. Payment or income received on corporate 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, 2011 and 2010 was \$9 million and \$8 million, respectively.

(2) Federal Home Loan Bank of Atlanta ("FHLB")

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

(4) During the December 2010 quarter end, RJ Bank reclassified certain average loan balances to more closely align these balances with its assignment of credit risk utilized within the allowance for loan losses evaluation. As a result, the average loan balances, related interest income and the respective yield calculations presented above differ from those previously reported.

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, 2011 compared to 2010		
	Increase (Decrease) Due to		
	Volume	Rate (in thousands)	Total
<b>Interest revenue:</b>			
<b>Interest-earning banking assets:</b>			
Loans, net of unearned income:			
Loans held for sale	\$ 86	\$ (80)	\$ 6
Loans held for investment:			
Commercial loans	5,309	5,094	10,403
CRE construction loans	(203)	25	(178)
CRE loans	(1,593)	974	(619)
Residential mortgage loans	(4,206)	(2,648)	(6,854)
Consumer loans	(98)	(4)	(102)
Agency mortgage-backed securities	(99)	(66)	(165)
Non-agency collateralized mortgage obligations	(1,019)	(783)	(1,802)
Money Market funds, cash and cash equivalents	38	(153)	(115)
FHLB stock and other	34	226	260
Total interest-earning banking assets	(1,751)	2,585	834
<b>Interest expense:</b>			
<b>Interest-bearing banking liabilities:</b>			
Deposits:			
Certificates of deposit	166	(231)	(65)
Money Market, savings and NOW accounts	2	(1,071)	(1,069)
FHLB advances and other	(595)	(75)	(670)
Total interest-bearing banking liabilities	(427)	(1,377)	(1,804)
Change in net interest income	<u>\$ (1,324)</u>	<u>\$ 3,962</u>	<u>\$ 2,638</u>

Nine months ended June 30, 2011 compared with the nine months ended June 30, 2010 – RJ Bank

Pre-tax income generated by the RJ Bank segment increased \$46.2 million, or 55% for the nine months compared to the prior year period.

Net revenues increased \$8.2 million or 4%. The net revenue increase is primarily due to an \$11 million, or 6%, increase in net interest income resulting primarily from a \$6 million correction of an accumulated interest income understatement in prior years related to purchased residential mortgage loan pools and a 28 basis point increase in the net interest margin. Partially offsetting the improved margin was a \$480 million, or 6%, decline in average interest-earning banking assets during the period. Corresponding to the decrease in average interest-earning banking assets, average interest-bearing banking liabilities decreased 7%, from \$7.1 billion to \$6.6 billion. The reduced average interest-bearing liability balances combined with lower interest rates led to a \$4 million, or 28%, decrease in interest expense. The average cost of funds decreased from 0.27% to 0.21%.

The provision for loan losses was impacted by improving credit quality in CRE, an improvement in the credit characteristics of certain problem corporate loans, reduced loan charge-offs and the stabilization of the balance of residential mortgage nonperforming loans. Unfavorable economic conditions, including high unemployment rates, continue to have a negative impact on the residential loan portfolio. However, due to the improvement in the corporate and CRE portfolios, the provision for loan losses of \$28.2 million for the current nine months was significantly lower than the \$59.9 million in the prior year nine month period.

Net loan charge-offs for the nine month period decreased \$33 million, or 53%, from \$63 million to \$30 million. This decline was primarily due to improved credit quality in the CRE loan portfolio in addition to a stabilization of the balance in nonperforming residential mortgage loans. Corporate loan charge-offs during the prior year period included \$9 million related to the sale of distressed debt in the secondary market and another \$9 million related to one CRE loan.

The amount of nonperforming loans decreased \$14 million, or 9%, during the nine months ended June 30, 2011 compared to the amount of nonperforming loans at September 30, 2010. CRE nonperforming loans decreased \$42 million primarily due to the full resolution of our largest nonperforming loan, the pay-off of two CRE loans, and the partial charge-off of two others, which was partially offset by the addition of six loans which were placed on nonaccrual status during the year. Two commercial loans were added to nonperforming loans during the year. Nonperforming residential mortgage loans increased \$2 million due to the ongoing elevated level of residential mortgage loan delinquencies.

The following table presents average balance data and interest income and expense data for our banking operations, as well as the related interest yields/costs, rates and interest spread for the periods indicated:

Nine months ended June 30,						
	2011			2010		
	Average Balance	Interest Inc./Exp.	Average Yield/Cost	Average Balance <sup>(2)</sup>	Interest Inc./Exp. <sup>(2)</sup>	Average Yield/Cost <sup>(2)</sup>
(\$ in thousands)						
<b>Interest-earning banking assets:</b>						
Loans, net of unearned income: <sup>(1)</sup>						
Loans held for sale	\$ 20,542	\$ 464	3.02%	\$ 47,800	\$ 1,155	3.23%
Loans held for investment:						
Commercial loans	3,460,574	115,885	4.44%	3,106,118	86,777	3.72%
CRE construction loans	63,396	1,317	2.74%	85,743	1,379	2.12%
CRE loans	780,551	23,435	3.96%	987,273	24,919	3.33%
Residential mortgage loans	1,890,486	64,218	4.37%	2,257,552	79,028	4.62%
Consumer loans	6,937	91	1.76%	20,901	306	1.96%
Total loans, net	6,222,486	205,410	4.33%	6,505,387	193,564	3.94%
Reverse repurchase agreements	-	-	-	229,304	146	0.09%
Agency mortgage-backed securities	188,180	1,024	0.73%	240,700	1,394	0.77%
Non-agency collateralized mortgage obligations	226,657	7,795	4.59%	302,756	12,512	5.51%
Money Market funds, cash and cash equivalents	678,568	1,413	0.28%	556,745	1,397	0.34%
FHLB stock and other	147,083	833	0.76%	108,380	453	0.56%
Total interest-earning banking assets	7,462,974	\$ 216,475	3.81%	7,943,272	\$ 209,466	3.50%
<b>Non-interest-earning banking assets:</b>						
Allowance for loan losses	(144,110)			(148,178)		
Unrealized loss on available for sale securities	(42,489)			(76,114)		
Other assets	251,962			224,432		
Total non-interest-earning banking assets	65,363			140		
Total banking assets	\$ 7,528,337			\$ 7,943,412		
<b>Interest-bearing banking liabilities:</b>						
Deposits:						
Certificates of deposit	\$ 223,383	\$ 4,718	2.82%	\$ 204,360	\$ 4,951	3.24%
Money Market, savings, and NOW accounts	6,397,209	4,843	0.10%	6,846,731	7,245	0.14%
FHLB advances and other	24,680	671	3.58%	62,454	1,991	4.21%
Total interest-bearing banking liabilities	6,645,272	\$ 10,232	0.21%	7,113,545	\$ 14,187	0.27%
Non-interest-bearing banking liabilities	53,609			23,939		
Total banking liabilities	6,698,881			7,137,484		
Total banking shareholder's equity	829,456			805,928		
Total banking liabilities and shareholder's equity	\$ 7,528,337			\$ 7,943,412		

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**Nine months ended June 30,**

	<b>2011</b>			<b>2010</b>		
	<b>Average Balance</b>	<b>Interest Inc./Exp.</b>	<b>Average Yield/Cost</b>	<b>Average Balance<sup>(2)</sup></b>	<b>Interest Inc./Exp. <sup>(2)</sup></b>	<b>Average Yield/Cost<sup>(2)</sup></b>
	<b>(\$ in thousands)</b>					
	(continued from previous page)					
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	\$ 817,702	\$ 206,243		\$ 829,727	\$ 195,279	
Bank net interest:						
Spread			3.60%			3.23%
Margin (net yield on interest-earning banking assets)			3.63%			3.26%
Ratio of interest-earning banking assets to interest-bearing banking liabilities			112.31%			111.66%
Return on average:						
Total banking assets			1.47%			0.91%
Total banking shareholder's equity			13.30%			8.96%
Average equity to average total banking assets			11.02%			10.15%

(1) Nonaccrual loans are included in the average loan balances. Payment or income received on corporate 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, 2011 and 2010 was \$31 million and \$26 million, respectively.

(2) During the December 2010 quarter end, RJ Bank reclassified certain average loan balances to more closely align these balances with its assignment of credit risk utilized within the allowance for loan losses evaluation. As a result, the average loan balances, related interest income and the respective yield calculations presented above differ from those previously reported.



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, 2011 compared to 2010		
	Increase (Decrease) due to		
	Volume	Rate	Total
	(in thousands)		
<b>Interest revenue:</b>			
<b>Interest-earning banking assets:</b>			
Loans, net of unearned income:			
Loans held for sale	\$ (658)	\$ (33)	\$ (691)
Loans held for investment:			
Commercial loans	9,903	19,205	29,108
CRE construction loans	(358)	296	(62)
CRE loans	(5,218)	3,734	(1,484)
Residential mortgage loans <sup>(1)</sup>	(12,849)	(8,338)	(21,187)
Consumer loans	(205)	(10)	(215)
Reverse repurchase agreements	(146)	-	(146)
Agency mortgage-backed securities	(304)	(66)	(370)
Non-agency collateralized mortgage obligations	(3,145)	(1,572)	(4,717)
Money Market funds, cash and cash equivalents	305	(289)	16
FHLB stock and other	162	218	380
Total interest-earning banking assets	(12,513)	13,145	632
<b>Interest expense:</b>			
<b>Interest-bearing banking liabilities:</b>			
Deposits:			
Certificates of deposit	461	(694)	(233)
Money Market, savings and NOW accounts	(476)	(1,926)	(2,402)
FHLB advances and other	(1,204)	(116)	(1,320)
Total interest-bearing banking liabilities	(1,219)	(2,736)	(3,955)
Change in net interest income	\$ (11,294)	\$ 15,881	\$ 4,587

(1) Adjusted to exclude a \$6 million December 2010 quarter end correction of an accumulated interest income understatement in prior periods related to purchased residential mortgage loan pools.

## Results of Operations – Emerging Markets

The following table presents consolidated financial information of our Emerging Markets segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Revenues:</b>						
Securities commissions and fees	\$ 2,084	15%	\$ 1,805	\$ 7,034	45%	\$ 4,836
Investment banking	9,638	NM	(5)	17,487	NM	313
Investment advisory fees	1,617	17%	1,386	5,332	86%	2,872
Interest income	256	251%	73	992	280%	261
Trading profits	944	(8)%	1,027	4,107	17%	3,521
Other (loss) income	(90)	(186)%	105	48	(75)%	190
<b>Total revenues</b>	<b>14,449</b>	<b>229%</b>	<b>4,391</b>	<b>35,000</b>	<b>192%</b>	<b>11,993</b>
Interest expense	41	(13)%	47	149	(19)%	183
<b>Net revenues</b>	<b>14,408</b>	<b>232%</b>	<b>4,344</b>	<b>34,851</b>	<b>195%</b>	<b>11,810</b>
<b>Non-interest expenses:</b>						
Compensation expense	8,943	126%	3,965	21,203	98%	10,688
Other expense	2,487	45%	1,720	8,762	47%	5,951
<b>Total non-interest expenses</b>	<b>11,430</b>	<b>101%</b>	<b>5,685</b>	<b>29,965</b>	<b>80%</b>	<b>16,639</b>
<b>Income (Loss) before taxes and including noncontrolling interests:</b>	<b>2,978</b>	<b>322%</b>	<b>(1,341)</b>	<b>4,886</b>	<b>201%</b>	<b>(4,829)</b>
Noncontrolling Interests	268		(232)	663		(738)
<b>Pre-tax income (loss) excluding noncontrolling interests</b>	<b>\$ 2,710</b>	<b>344%</b>	<b>\$ (1,109)</b>	<b>\$ 4,223</b>	<b>203%</b>	<b>\$ (4,091)</b>

The Emerging Markets segment includes the results from our joint ventures in Latin America including Argentina, Uruguay and Brazil.

### Quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 – Emerging Markets

Pre-tax income in the Emerging Markets segment increased \$3.8 million as compared to the same quarter in the prior year.

The increase is due to investment banking revenues which increased \$9.6 million as compared to the prior year quarter. The majority of these revenues arose from our Argentine joint venture, which acted as an advisor to one of our institutional clients on a significant transaction. Interest income also increased in the Argentine venture due to higher available cash balances, which resulted from increased revenues, and were invested in money market investments and other cash equivalents.

Non-interest expenses increased \$5.7 million, primarily resulting from higher compensation expense associated with the increased investment banking activity.

### Nine months ended June 30, 2011 compared to the nine months ended June 30, 2010 – Emerging Markets

Pre-tax income in the Emerging Markets segment increased \$8.3 million for the nine months as compared to the prior year period.

Net revenues increased by \$23 million, resulting from increased investment banking fee revenue of \$17.2 million, increased securities commissions and fees of \$2.2 million, and increased investment advisory fees of \$2.5 million as compared to the prior year period. The investment banking fee revenues primarily result from our Argentine joint venture, which has provided advisory services to institutional clients in several significant transactions during the current year. The increase in securities commissions and fees primarily results from a combination of successful recruiting efforts by two of our Latin American joint venture entities during fiscal year 2010, as well as improved conditions in the U.S. equity markets as compared to the prior year period. The increase in investment advisory fees results from growth in our Argentine asset management venture, which has realized 9% growth in assets under management as compared to the prior year period.

Non-interest expenses increased \$13.3 million, primarily resulting from higher compensation expense associated with the increased investment banking activity.

#### Results of Operations – Securities Lending

The following table presents consolidated financial information of our Securities Lending (formerly named “Stock Loan/Borrow”) segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Interest income and expense:</b>						
Interest income	\$ 1,419	(43)%	\$ 2,492	\$ 4,384	(32)%	\$ 6,401
Interest expense	488	(58)%	1,175	1,398	(47)%	2,651
<b>Net interest income</b>	<b>931</b>	<b>(29)%</b>	<b>1,317</b>	<b>2,986</b>	<b>(20)%</b>	<b>3,750</b>
Other income	83	2%	81	347	31%	265
<b>Net revenues</b>	<b>1,014</b>	<b>(27)%</b>	<b>1,398</b>	<b>3,333</b>	<b>(17)%</b>	<b>4,015</b>
<b>Non-interest expenses:</b>	<b>691</b>	<b>2%</b>	<b>678</b>	<b>2,156</b>	<b>10%</b>	<b>1,962</b>
<b>Pre-tax income</b>	<b>\$ 323</b>	<b>(55)%</b>	<b>\$ 720</b>	<b>\$ 1,177</b>	<b>(43)%</b>	<b>\$ 2,053</b>

This segment conducts its business through the borrowing and lending of securities from and to other broker-dealers, financial institutions and other counterparties. Generally, we conduct these activities as an intermediary (referred to as “Matched Book”). However, Securities Lending will also loan customer marginable securities held in a margin account containing a debit (referred to as lending from the “Box”) to counterparties. The borrower of the securities puts up a cash deposit on which interest is earned. The lender in turn receives cash and pays interest. These cash deposits are adjusted daily to reflect changes in the current market value of the underlying securities. The net revenues of this operation are the interest spreads generated.

#### Quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 – Securities Lending

Pre-tax income generated by this segment decreased by \$400,000 as compared to the same quarter in the prior year.

The decrease is due to lower net interest income in both our Box lending activities as well as, but to a lesser extent, our Matched Book activities. In the Box lending activities, both our net interest spread and our average balances outstanding decreased as compared to the prior year quarter. In the Matched Book activities, net interest spreads declined slightly but such decrease was partially offset by an increase in the average balances outstanding.

#### Nine months ended June 30, 2011 compared to the nine months ended June 30, 2010 – Securities Lending

Pre-tax income generated by this segment decreased by \$900,000 for the nine months as compared to the prior year period.

Net interest income decreased by \$800,000, or 20%, resulting primarily from decreases in our Box lending activities, but also including to a lesser extent, decreases in our Matched Book activities. In both the Box lending and Matched Book activities, both our net interest spread and our average balances outstanding decreased as compared to the prior year period.

## Results of Operations – Proprietary Capital

The following table presents consolidated financial information for the Propriety Capital segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Revenues:</b>						
Interest	\$ 145	(91)%	\$ 1,698	\$ 325	(81)%	\$ 1,756
Investment advisory fees	238	(13)%	275	713	(14)%	825
Other	13,333	439%	2,472	13,073	(10)%	14,512
<b>Total revenues</b>	<b>13,716</b>	<b>209%</b>	<b>4,445</b>	<b>14,111</b>	<b>(17)%</b>	<b>17,093</b>
<b>Expenses:</b>						
Compensation expense	551	5%	526	1,655	18%	1,404
Other expenses	189	378%	(68)	453	(77)%	1,978
<b>Total expenses</b>	<b>740</b>	<b>62%</b>	<b>458</b>	<b>2,108</b>	<b>(38)%</b>	<b>3,382</b>
<b>Income before taxes and including noncontrolling interests:</b>	<b>12,976</b>	<b>225%</b>	<b>3,987</b>	<b>12,003</b>	<b>(12)%</b>	<b>13,711</b>
Noncontrolling interests	6,360		897	9,561		11,475
<b>Pre-tax income excluding noncontrolling interests</b>	<b>\$ 6,616</b>	<b>114%</b>	<b>\$ 3,090</b>	<b>\$ 2,442</b>	<b>9%</b>	<b>\$ 2,236</b>

The Proprietary Capital segment consists of our principal capital and private equity activities and the segment results are substantially determined by the valuations within Raymond James Capital Partners, L.P. (“Capital Partners”), Raymond James Employee Investment Funds I and II (the “EIF Funds”), and the valuations of our direct merchant banking investments and our investments in third-party private equity funds (the “Third-Party Private Funds”). As of June 30, 2011, our merchant banking investments, at fair value, include a \$19 million investment in a manufacturer of crime investigation and forensic supplies (the “Forensic Supply Company”), an \$18 million indirect investment (through Capital Partners) in an allergy immunotherapy testing and treatment supply company (the “Allergy Company”), and a \$17 million investment in an event photography business.

### Quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 – Proprietary Capital

Pre-tax income generated by this segment increased by \$3.5 million, or 114%, as compared to the same quarter in the prior year.

In the current quarter, total revenues of \$13.7 million primarily consisted of \$6.3 million of net valuation increases in the Third-Party Private Funds, a \$4.5 million dividend from the Allergy Company, and a \$2.9 million valuation increase in the EIF Funds. In the prior year quarter, the \$4.4 million in revenue arose primarily from the valuation increases in the Third-Party Private Funds of \$3.1 million and a \$1.5 million dividend from the Allergy Company.

The portion of this quarter’s revenue attributable to noncontrolling interests was significant as \$3.5 million of the Allergy Company dividend and \$2.8 million of the EIF valuation increases are attributable to others.

### Nine months ended June 30, 2011 compared to the nine months ended June 30, 2010 – Proprietary Capital

Pre-tax income generated by this segment increased by \$200,000, or 9%, for the nine months as compared to the prior year period.

In the current year, the results include increases in the net valuation of the Third-Party Private Funds of \$6 million, increases in revenue pertaining to the Allergy Company of \$7.7 million which include both dividends received and a valuation increase, and \$3.7 million of valuation increases in the EIF Funds, which are partially offset by a \$3 million write-down in the value of our Forensic Supply Company investment.

In the prior year period, the revenue arose primarily from the dividends from and valuation investment increase of the Allergy Company of \$12.4 million and valuation increases in the Third-Party Private Funds of \$2.8 million.

Total expenses have decreased nearly \$1.3 million in the current year as compared to the prior year period. The prior year included nearly \$2 million of expenses related to due diligence activities which have not recurred in the current year.

The portion of this year's revenue attributable to others decreased nearly \$2 million as compared to the prior year. The majority of the Allergy Company and the EIF Fund investments are held by others; therefore, a reduction in revenues attributable to those investments results in a lower attribution of income to others. The revenues from those investments decreased by \$2.9 million in the current year as compared to the prior year period.

#### Results of Operations – Other

The following table presents consolidated financial information for the Other segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2011	% Change	2010	2011	% Change	2010
	(\$ in thousands)					
<b>Revenues:</b>						
Interest income	\$ 2,207	48%	\$ 1,491	\$ 5,908	35%	\$ 4,366
Other	(921)	(227)%	726	2,355	43%	1,647
<b>Total revenues</b>	<b>1,286</b>	<b>(42)%</b>	<b>2,217</b>	<b>8,263</b>	<b>37%</b>	<b>6,013</b>
Interest expense	8,978	35%	6,647	22,320	12%	19,881
<b>Net revenues</b>	<b>(7,692)</b>	<b>(74)%</b>	<b>(4,430)</b>	<b>(14,057)</b>	<b>(1)%</b>	<b>(13,868)</b>
Loss provision for auction rate securities	45,000	NM	-	45,000	NM	-
Other expense	5,484	(16)%	6,512	20,167	27%	15,935
<b>Pre-tax loss</b>	<b>\$ (58,176)</b>	<b>(432)%</b>	<b>\$ (10,942)</b>	<b>\$ (79,224)</b>	<b>(166)%</b>	<b>\$ (29,803)</b>

This segment includes various corporate overhead costs, including interest expense on our senior debt and the estimated loss associated with the securities which may be repurchased as a result of the auction rate securities settlement (see further discussion of this matter in Note 13 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q).

#### Quarter ended June 30, 2011 compared to the quarter ended June 30, 2010 – Other

Pre-tax loss generated by this segment increased by \$47.2 million, or 432%, as compared to the same quarter in the prior year.

In the current quarter, interest expense increased \$2.3 million as compared to the prior year quarter, resulting from additional interest expense associated with the April 4, 2011 issuance of \$250 million in aggregate principal amount of 4.25% senior notes, due April 2016.

The current quarter includes a non-recurring \$45 million loss provision for auction rate securities. This provision resulted from the settlements with the Securities and Exchange Commission ("SEC") and other regulatory authorities regarding the offer and sale of ARS. This provision represents our estimate of the difference between the fair value and the par value of auction rate securities that may be tendered as a result of our repurchase offer. We anticipate that ARS with a par value of up to \$300 million may be tendered for repurchase including as much as \$64 million of Jefferson County, Alabama Limited Obligation School Warrants ARS, and \$28 million of Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS. Of the total estimated loss provision, approximately one-half is associated with potential credit losses related to those specific securities. Our expectation is that the ultimate loss, which will be the difference between the ARS repurchased at par and the amount we ultimately receive over time from either future issuer redemptions, maturities, or sales, will be lower than this loss provision.

#### Nine months ended June 30, 2011 compared to the nine months ended June 30, 2010 – Other

Pre-tax loss generated by this segment increased by \$49.4 million, or 166%, for the nine months as compared to the prior year period.

Total revenues in the current nine month period increased by \$2.3 million, or 37%, as compared to the prior year period. The revenue increases result primarily from increases in the value of certain investments, some of which were sold during the current year and resulted in realized gains, and to a lesser extent, an increase in interest income as a result of increases in parent company cash balances.

Interest expense in the current year period increased \$2.4 million, or 12%, as compared to the prior year period primarily as a result of additional interest expense associated with the April 4, 2011 issuance of \$250 million of 4.25% senior notes due April, 2016.

The current year period includes a non-recurring \$45 million loss provision for auction rate securities. Refer to the discussion of this item in the June quarter analysis above.

Other expenses in the current year period increased \$4.2 million, or 27%, over the prior year period. The increase is primarily a result of an increase in advertising expenses related to our television campaign which aired during the current year period, and to a lesser extent, an increase in incentive compensation expense resulting from the increase in RJF profitability over the prior year period.

#### **Liquidity and Capital Resources**

Liquidity is essential to our business. The primary goal of our liquidity management activities is to ensure adequate funding to conduct our business over a range of market environments.

Senior management establishes our liquidity and capital policies. 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 our significant subsidiaries. Our decisions on the allocation of capital to our business units consider, among other factors, projected profitability and cash flow, risk and impact on future liquidity needs. Our treasury department assists in evaluating, monitoring and controlling the impact that our business activities have on our financial condition, liquidity and capital structure as well as maintains our relationships with various lenders. The objectives of these policies are to support the successful execution of our business strategies while ensuring ongoing and sufficient liquidity.

Liquidity is provided primarily through our business operations and financing activities. Financing activities could include bank borrowings, repurchase agreement transactions or additional capital raising activities under our "universal" shelf registration.

Cash provided by operating activities during the nine months ended June 30, 2011 was \$1.1 billion, mainly driven by an increase in cash resulting from our successful operating results over the period, an increase in brokerage client payables and other accounts payable, and a decrease in assets segregated pursuant to regulations and other segregated assets. These segregated assets decreased as a result of the transactions associated with the point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution at September 30, 2010 (for more information regarding these point-in-time transactions, see Note 2 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q, and Note 22 on page 130 of our 2010 Form 10-K). These increases in operating cash were partially offset by the use of operating cash resulting from an increase in securities purchased under agreements to resell and other collateralized financings (net of securities sold under agreements to repurchase) and an increase in brokerage clients receivables and other accounts receivable, net.

Investing activities used \$3.9 million of cash in the nine month period ended June 30, 2011. The use of cash to fund an increase in net loans was partially offset by cash received from the maturations, repayments and sales of available for sale securities and from redemptions of FHLB stock.

Financing activities used \$2.5 billion of cash in the nine month period ended June 30, 2011. This use of cash resulted predominantly from the repayment of borrowings and decrease in bank deposits, both of which had arisen as of September 30, 2010 as a result of the transactions associated with the September 30, 2010 point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution (for more information regarding these point-in-time transactions, see Note 22 on page 130 of our 2010 Form 10-K). Other than the impact of those point-in-time transactions, cash was also used in financing activities during the period for repayments on certain lines of credit. These were partially offset by cash received from the issuance of senior notes through a registered underwritten public offering (for more information regarding our senior notes, see Note 10 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q).

We believe our existing assets, most of which are liquid in nature, together with funds generated from operations and committed and uncommitted financing facilities, should provide adequate funds for continuing operations at current levels of activity including the projected impact on our liquidity arising from the RJ&A and RJFS agreements to repurchase certain eligible ARS from certain current and former clients. We estimate that ARS with a total par value of up to \$300 million may be eligible for the settlement offer. We anticipate the great majority of the ARS repurchases subject to the offer will occur prior to September 30, 2011. Refer to Part II – Item 1 Legal Proceedings, and Note 13 of the Notes to Condensed Consolidated Financial Statements, each within this Form 10-Q, for further discussion of the ARS settlement.

#### Sources of Liquidity

In addition to \$655 million of parent company cash and cash equivalents on June 30, 2011 (nearly all of which is invested on behalf of the parent company by RJ&A), we have various potential sources of liquidity as set forth below.

#### *Liquidity Available from Subsidiaries*

Liquidity is principally available to the parent company from RJ&A, which is required to maintain net capital equal to the greater of \$250,000 or 2% of aggregate debit balances arising from customer transactions. Covenants in RJ&A's committed secured financing facilities require its net capital to be a minimum of 10% of aggregate debit balances. At June 30, 2011, RJ&A exceeded both the minimum regulatory, and its financing covenants, net capital requirements. At that date, RJ&A had excess net capital of approximately \$350 million, of which approximately \$142 million is available for dividend (after taking into account regulatory and covenant restrictions) while still maintaining its net capital at 15% of aggregate debit items, its current internal and informal policy. There are also limitations on the amount of dividends that may be declared by a broker-dealer without Financial Industry Regulatory Authority ("FINRA") approval.

Subject to 30-day notification and approval by its regulator, RJ Bank may pay dividends to the parent company as long as RJ Bank maintains its "well capitalized" status under bank regulatory capital guidelines. During the nine month period ended June 30, 2011, RJ Bank made \$100 million in dividend payments to RJF. RJF has made capital contributions of \$25 million to RJ Bank during the same period. RJ Bank had approximately \$123.3 million of capital in excess of the amount it would need as of June 30, 2011 to maintain a total capital to risk-weighted assets ratio of 12%, its current policy. See further discussion of RJ Bank's ability to pay dividends in Note 26, pages 135 – 138, in our 2010 Form 10-K.

Liquidity available to us from our subsidiaries, other than RJ&A and RJ Bank, is relatively insignificant and in certain instances may be subject to regulatory requirements.

#### *Borrowings and Financing Arrangements*

The following table presents our domestic financing arrangements with third-party lenders as of June 30, 2011:

	<u>Committed Secured</u>	<u>Uncommitted Secured <sup>(1)</sup></u>	<u>Uncommitted Unsecured <sup>(1)</sup></u>	<u>Total</u>
	(\$ in thousands)			
RJ&A	\$ 425,000	\$ 1,035,100	\$ 325,000	\$ 1,785,100
Number of agreements	4	6	4	

(1) Lenders are under no contractual obligation to lend to us under uncommitted credit facilities.

The domestic arrangements included in the table above are in the form of either tri-party repurchase agreements, bilateral repurchase agreements, secured lines of credit, uncommitted unsecured lines of credit or uncommitted bilateral repurchase agreements.

We maintain three unsecured settlement lines of credit available to our Argentine joint venture in the aggregate amount of \$13.5 million. Of the aggregate amount, one settlement line for \$9 million is guaranteed by RJF. There were no borrowings outstanding on any of these lines of credit as of June 30, 2011.

RJ Bank had \$1.1 billion in immediate credit available from the FHLB on June 30, 2011 and total available credit of 40% of total assets, with the pledge of additional collateral to the FHLB.

RJ Bank is eligible to participate in the FRB's discount-window program; however, RJ Bank does not view borrowings from the Fed as a primary means of funding. The credit available in this program is subject to periodic review and may be terminated or reduced at the discretion of the Fed.

From time to time we purchase short-term securities under agreements to resell ("reverse repurchase agreements") and sell securities under agreements to repurchase ("repurchase agreements"). We account for each of these types of transactions as collateralized financings with the outstanding balances on the repurchase agreements included in securities sold under agreements to repurchase. At June 30, 2011, collateralized financings outstanding in the amount of \$65 million are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. Of this total, outstanding borrowings on the committed or uncommitted bilateral repurchase agreements were \$6.7 million and \$58.3 million, respectively, as of June 30, 2011. Such financings are generally collateralized by non-customer, RJ&A-owned securities. The required market value of the collateral associated with the committed secured facilities ranges from 102% to 133% of the amount financed.

The average daily balance outstanding during the quarter ended and the period ended balances at each respective period end for repurchase agreements and reverse repurchase agreements are as follows:

For the Quarter Ended:	Repurchase Transactions		Reverse Repurchase Transactions	
	Average Daily Balance Outstanding	End of Period Balance Outstanding	Average Daily Balance Outstanding	End of Period Balance Outstanding
	(in thousands)			
June 30, 2011	\$ 62,527	\$ 64,988	\$ 473,739	\$ 470,407
September 30, 2010	\$ 158,489	\$ 233,346	\$ 326,927	\$ 344,652

At June 30, 2011 and September 30, 2010, we had other debt of \$613 million and \$356 million, respectively. The balance at June 30, 2011 is comprised of a \$53.6 million balance outstanding on our mortgage loan for our home-office complex, \$9.6 million outstanding on term loan financing provided to RJES, \$300 million outstanding on our 8.60% senior notes due August 2019, and \$250 million outstanding on our 4.25% senior notes due April 2016.

Our current senior long-term debt ratings are:

Rating Agency	Rating	Outlook
Standard and Poor's	BBB	Negative
Moody's Investor Service	Baa2	Stable

The Standard and Poor's rating and outlook as reported were unchanged in their latest report dated December 23, 2010. The Moody's Investor Service rating and outlook are from their October, 2010 report, which reflected no change in the rating and an improved outlook as compared to their previous report. We believe our current long-term debt ratings depend upon a number of factors including industry dynamics, operating and economic environment, operating results, operating margins, earnings trends and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification and our market share and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. The rating agencies also have announced that they are reviewing ratings following the passage of the Dodd-Frank Act. Any rating downgrades could increase our costs in the event we were to pursue obtaining additional financing.



#### *Other Sources of Liquidity*

We own a significant number of life insurance policies utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans. We are able to borrow up to 90% of the cash surrender value of certain of these policies. The policies which we could readily borrow against have a cash surrender value of approximately \$123 million as of June 30, 2011. There are no borrowings outstanding against any of these policies as of June 30, 2011.

On May 29, 2009 we filed a “universal” shelf registration statement with the SEC to be in a position to access the capital markets if and when necessary or perceived by us to be opportune. In August 2009, we sold \$300 million in aggregate principal amount of 8.60% senior notes due in August 2019, through a registered underwritten public offering. In April 2011, we sold \$250 million in aggregate principal amount of 4.25% senior notes due April 2016, through a registered underwritten public offering. The registration statement is still effective and could facilitate future capital raising activities.

See the Contractual Obligations, Commitments and Contingencies section for information regarding our commitments.

#### **Statement of Financial Condition Analysis**

The assets on our statement of financial condition consist primarily of cash and cash equivalents (a large portion of which are segregated for the benefit of customers), receivables, including bank loans, and other assets. A significant portion of our assets are liquid in nature, providing us with flexibility in financing our business. Total assets of \$16.1 billion at June 30, 2011 were approximately 10% lower than total assets as of September 30, 2010. Decreases in cash and cash equivalents and assets segregated pursuant to regulations and other segregated assets are all the result of the transactions associated with the September 30, 2010 point-in-time regulatory balance sheet composition requirements of RJ Bank. See Note 22 page 130 of our 2010 Form 10-K for discussion of the September 30, 2010 point-in-time test. Exclusive of these transactions, which totaled approximately \$3.1 billion, total assets would have increased slightly as compared to September 30, 2010.

As of June 30, 2011, our liabilities of \$13.3 billion were 13% less than our liabilities as of September 30, 2010, due to decreases in other borrowings and bank deposits that were also associated with the September 30, 2010 point-in-time regulatory balance sheet composition requirements of RJ Bank. Exclusive of these transactions, which totaled approximately \$3.1 billion, total liabilities would have increased 9%. The increase in corporate debt was a result of the April 4, 2011 issuance of \$250 million in aggregate principal amount of 4.25% senior notes due April 2016.

#### **Contractual Obligations, Commitments and Contingencies**

As of June 30, 2011, the following constitutes material changes in our contractual obligations other than in the ordinary course of business since September 30, 2010.

On April 11, 2011, we sold, in a registered underwritten public offering, \$250 million in aggregate principal amount of 4.25% senior notes due April 2016. Interest on these senior notes is payable semi-annually. See Note 10 in this Form 10-Q for further information regarding the issuance of these senior notes.

On June 29, 2011, RJ&A and RJFS finalized settlements with the SEC and other regulatory authorities regarding ARS. Under these settlement agreements, we will purchase at par from certain current and former clients, eligible ARS. We estimate that ARS with a total par value of up to \$300 million may be eligible for the settlement offer. We anticipate the great majority of the ARS repurchases subject to the offer will occur prior to September 30, 2011. See Note 13 in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on this commitment.

On June 30, 2011, RJ Bank announced that it entered into a definitive agreement to acquire substantially all of a foreign bank’s Canadian corporate loan portfolio. This loan portfolio consists of approximately \$615 million in loan commitments, of which approximately \$500 million are outstanding. The transaction is expected to close prior to September 30, 2011 and is subject to Canadian and U.S. regulatory approvals, the latter of which is pending approval. See Note 13 in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on this commitment.

For further information on our commitments and contingencies, see Note 17, pages 117 – 120, of the Notes to the Consolidated Financial Statements in our 2010 Form 10-K, Contractual Obligations, Commitments and Contingencies on pages 51 - 52 in our 2010 Form 10-K and Note 13 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

#### **Regulatory**

The following discussion should be read in conjunction with the Regulatory section on pages 52 - 53 of our 2010 Form 10-K.

RJ&A, RJFS, Eagle Fund Distributors, Inc. and Raymond James (USA) Ltd. all had net capital in excess of minimum requirements as of June 30, 2011.

RJ Ltd. was not in Early Warning Level 1 or Level 2 as of or during the three-month period ended June 30, 2011.

Under the regulatory framework for prompt corrective action, RJ Bank met the requirements to be categorized as “well capitalized” as of June 30, 2011.

As previously stated, our intention is for RJ Bank to become a commercial bank, thereby enabling it to have a majority of its loan portfolio comprised of corporate loans secured by other corporate assets and commercial real estate loans. If RJ Bank were to remain a thrift, its business mix would be required to be oriented to loans related to residential real estate and other qualifying thrift assets.

The Dodd-Frank Act has the potential to impact certain of our current business operations, including, but not limited to, its impact on RJ Bank which is discussed in Item 1, Business-“Regulation” on pages 9 - 11 in our 2010 Form 10-K. Because of the nature of our business and our business practices, we do not expect the Dodd-Frank Act to have a significant impact on our operations as a whole. However, because many of the implementing regulations will result from further studies by various regulatory agencies, the specific impact on each of our businesses is uncertain.

Effective July 21, 2011 and in accordance with the Dodd-Frank Act, RJF as the holding company of RJ Bank, became subject to the oversight of the FRB. In addition, the OTS merged into the OCC, and therefore, the OCC assumed responsibility from the OTS for the ongoing examination, supervision, and regulation of federal savings associations and rulemaking for all savings associations, state and federal.

See Note 16 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information on regulatory and capital requirements.

#### **Off-Balance Sheet Arrangements**

For information regarding our off-balance sheet arrangements, see Note 17 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

#### **Effects of Inflation**

For information regarding the effects of inflation on our business, see the Effects of Inflation section on page 62 of our 2010 Form 10-K.

## Factors Affecting “Forward-Looking Statements”

From time to time, we 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, allowance for loan loss levels at RJ Bank, projected ventures, new products, anticipated market performance, recruiting efforts, regulatory approvals, ARS, and other 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, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, are discussed in the section entitled “Risk Factors” in Item 1A of Part I on pages 13 - 23 included in the 2010 Form 10-K and in Item 1A of Part II of this report on Form 10-Q. We do not undertake any obligation to publicly update or revise any forward-looking statements.

## Critical Accounting Policies

The condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”). For a full description of these and other accounting policies, see Note 1 of the Notes to Consolidated Financial Statements included on pages 79 - 90 in our 2010 Form 10-K and updated in Note 1 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q. We believe that of our 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 our operations and our financial position.

## Valuation of Financial Instruments, Investments and Other Assets

The use of fair value to measure financial instruments, with related gains or losses recognized in our Condensed Consolidated Statements of Income and Comprehensive Income (the “Condensed Consolidated Statements of Income”), is fundamental to our financial statements and our risk management processes. See Note 1, pages 81 – 84, of our 2010 Form 10-K for a discussion of our fair value accounting policies regarding financial instruments owned and financial instruments sold but not yet purchased. We have not implemented any material changes in the accounting policies described therein during the period covered by this report.

“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. Unrealized gains and losses related to these financial instruments are reflected in our net income or our other comprehensive income, depending on the underlying purpose of the instrument.

As of June 30, 2011, 7.6% of our total assets and 1.5% of our total liabilities are instruments measured at fair value on a recurring basis.

Financial instruments measured at fair value on a recurring basis categorized as Level 3 amount to \$176.4 million as of June 30, 2011 and represent 14.5% of our assets measured at fair value. Our private equity investments comprise \$167.8 million or 95% of our Level 3 assets. Level 3 assets represent 6% of total equity as of June 30, 2011.

Financial instruments which are liabilities categorized as Level 3 amount to \$40,000 as of June 30, 2011 and represent less than 1% of liabilities measured at fair value.

See Notes 3, 4 and 5 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on our financial instruments.

## Goodwill

Goodwill involves the application of significant management judgment. For a discussion of the judgments involved in testing goodwill for impairment, see the Goodwill section on page 57 - 58 of our 2010 Form 10-K.

We perform goodwill 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 value. During the quarter ended March 31, 2011, we updated our income approach and market approach valuation models as of December 31, 2010 for the PCG and Capital Markets reporting units which have an allocation of goodwill. Based upon this updated analysis, we concluded that the goodwill allocated to our reporting units was not impaired at December 31, 2010. Our valuation estimates for those reporting units indicated that the fair values of their equity were substantially in excess of their book carrying values, which include the allocated goodwill. No events occurred since the completion of that analysis that would cause us to update the annual impairment testing we last performed as of December 31, 2010.

Effective April 1, 2011, we completed our acquisition of Howe Barnes. The Howe Barnes stockholders received 217,088 shares of our common stock valued at \$8.3 million in exchange for all of the outstanding Howe Barnes shares. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Howe Barnes recorded as of the acquisition date at their respective fair value and consolidated in our financial statements. We recorded goodwill in the amount of \$2.4 million from this transaction as the excess of the purchase price consideration over the fair value of the net assets acquired. This goodwill has been allocated to the private client group segment.

Effective April 4, 2011, one of our wholly owned subsidiaries increased its pre-existing share of ownership in RJES, by contributing \$6.4 million in cash in exchange for additional RJES shares. As a result of this acquisition of incremental RJES shares, effective with this transaction we hold a controlling interest in RJES. Accordingly, we applied the acquisition method of accounting to our interests in RJES as of the date we acquired the controlling interest with the assets and liabilities of RJES recorded at their respective fair value and consolidated in our financial statements and the portion we do not own included in noncontrolling interests. We recorded goodwill in the amount of \$6.9 million as the excess of the consideration paid for the additional shares and the acquisition date fair value of our previously held interests and the noncontrolling interests, over the fair value of the net assets of RJES. This goodwill has been allocated to the capital markets segment.

## Allowance for Loan Losses and Other Provisions for Losses

Refer to the discussion of the allowance for loan losses and other provisions for losses on pages 58 - 60 of our 2010 Form 10-K.

RJ Bank provides an allowance for loan losses which reflects our continuing evaluation of the probable losses inherent in the loan portfolio. See Note 6 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information.

At June 30, 2011, the amortized cost of all RJ Bank loans was \$6.4 billion and an allowance for loan losses of \$145.8 million was recorded against that balance. The total allowance for loan losses is equal to 2.28% of the amortized cost of the loan portfolio.

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 our underlying assumptions and judgments prove to be inaccurate, the allowance for loan losses could be insufficient to cover actual losses. In such an event, any losses would result in a decrease in our net income as well as a decrease in the level of regulatory capital at RJ Bank.

## Income Taxes

For a description of the significant assumptions, judgments and interpretations associated with the accounting for income taxes, see Income Taxes on page 60 of the 2010 Form 10-K.

#### Effects of Recently Issued Accounting Standards, and Accounting Standards Not Yet Adopted

In June 2009, the Financial Accounting Standards Board ("FASB") issued new guidance regarding the accounting for transfers of financial assets, as an amendment of previously issued guidance. This new guidance 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. We adopted this new guidance as of October 1, 2010. There was no significant impact on our condensed consolidated financial statements as a result of our application of this new guidance.

In June 2009, the FASB issued new guidance amending the existing pronouncement related to the consolidation of variable interest entities. This new guidance requires the reporting entities to evaluate former QSPEs 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 we are the primary beneficiary of any variable interest entities to which we are a party. We adopted this new guidance as of October 1, 2010. Upon adoption, we deconsolidated two low-income housing tax credit ("LIHTC") funds of which we determined we are no longer the primary beneficiary, and consolidated two other LIHTC funds of which we determined we are the primary beneficiary under the new guidance. See Notes 1 and 7 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for more information on the adoption of this new accounting guidance.

In July 2010, the FASB issued new guidance that requires enhanced disclosure about our allowances for loan losses and credit quality of our financing receivables. This new guidance is intended to provide greater transparency about credit risk exposures and the adequacy of the allowance for loan losses and other financing receivables and includes disaggregation of existing disclosures based on what management uses when assessing and monitoring the financing receivable's risk and performance. Additionally, new financial statement disclosures related to credit quality indicators, aging of financing receivables, and any significant purchases and sales were required. See Notes 1 and 6 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for more information on the adoption of this new accounting guidance. The adoption of this new accounting guidance resulted in a significant increase in certain of our financial statement disclosures, but the adoption did not have any impact on our financial position or results of operations.

In April 2011, the FASB issued new guidance regarding a creditor's determination of whether a restructuring is a troubled debt restructuring ("TDR"). This new guidance requires creditors to evaluate modifications and restructurings using a more principles-based approach, which may result in more modifications and restructurings being considered TDRs. This new guidance is effective for us in our upcoming period ending September 30, 2011. We expect the adoption of this guidance will result in additional disclosures but will not have a significant impact on our consolidated financial statements.

In April 2011, the FASB issued new guidance regarding the evaluation of certain terms in repurchase agreements which impact the determination of whether a repurchase arrangement should be accounted for as a secured borrowing or a sale. The new guidance removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially agreed terms, even in the event of default by the transferee. This new guidance is effective prospectively for any of our applicable transactions, or modifications of existing transactions, that occur on or after January 1, 2012. We do not anticipate that this new guidance will have any significant impact on our consolidated financial statements.

In May 2011, the FASB issued new guidance amending the existing pronouncement related to fair value measurement. This new guidance primarily expands the existing disclosure requirements for fair value. Specifically, the new guidance mandates the following additional disclosures: 1) The amount of any transfers between Level 1 and Level 2 of the fair value hierarchy. 2) A quantitative disclosure of the unobservable inputs and assumptions used in the measurement of Level 3 instruments. 3) A qualitative discussion of the sensitivity of the fair value to changes in unobservable inputs and any inter-relationships between those inputs that magnify or mitigate the effect on the measurement of Level 3 instruments. 4) The level within the fair value hierarchy, of items that are not measured at fair value in the statement of financial condition but whose fair value must be disclosed. This new guidance is effective for us prospectively beginning January 1, 2012. We expect the adoption of this new guidance will result in an increase of certain of our financial statement disclosures, but the adoption will not have any impact on our financial position or results of operations.

In June 2011, the FASB issued new guidance amending the existing pronouncement regarding the presentation of comprehensive income. This new guidance reduces the alternatives for the presentation of the components of other comprehensive income. Specifically, it eliminates the alternative of presenting them as part of the Statement of Changes in Shareholders' Equity. This new guidance is effective for fiscal years and interim periods within those years, beginning December 15, 2011; however, early adoption is permitted. We currently present the components of other comprehensive income within our Condensed Consolidated Statements of Income and therefore the adoption of this new guidance did not impact us.

#### **Off-Balance Sheet Arrangements**

For information concerning our off-balance sheet arrangements, see Note 17 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

#### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

For a description of our risk management policies, including a discussion of our primary market risk exposures, which include interest rate risk and equity price risk, as well as a discussion of our foreign exchange risk, credit risk including a discussion of our loan underwriting policies and risk monitoring processes applicable to RJ Bank, liquidity risk, operational risk, and regulatory and legal risk and a discussion of how these exposures are managed, refer to pages 62 - 73 of our 2010 Form 10-K.

#### **Market Risk**

See Notes 3 and 4 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for information regarding the fair value of trading inventories associated with our broker-dealer client facilitation, market-making and proprietary trading activities.

As of June 30, 2011, the absolute fixed income and equity inventory limits, excluding contractual underwriting commitments for our domestic subsidiaries, were \$1.97 billion and \$74.8 million, respectively. These same inventory limits for RJ Ltd. as of June 30, 2011, were Canadian dollars ("CDN") \$45.8 million and CDN \$67.9 million, respectively. Our trading activities in the aggregate were significantly below these limits at June 30, 2011.

#### **Interest Rate Risk**

We are exposed to interest rate risk as a result of our RJ Bank operations, as well as our trading inventories of fixed income instruments held in our Capital Markets segment. We actively manage our interest rate risk arising from our inventories of fixed income securities through the use of hedging techniques that involve swaps, futures and U.S. Treasury obligations. We monitor, on a daily basis, the Value-at-Risk ("VaR") in our 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, we use 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 we 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, 2011, the reported daily loss in the institutional Fixed Income trading portfolio did not exceed the predicted VaR on any trading day.

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, as well as stress testing.

The following tables set forth the high, low, and daily average VaR for our overall institutional fixed income portfolio with the corresponding dollar value of our portfolio as of the periods and dates indicated in each respective table:

	Nine months ended June 30, 2011			VaR at	
	High	Low	Daily Average (\$ in thousands)	June 30, 2011	September 30, 2010
Daily VaR	\$ 1,049	\$ 211	\$ 655	\$ 809	\$ 247
Related portfolio value (net) <sup>(1)</sup>	204,955	299,698	212,679	209,151	239,845
VaR as a percent of portfolio value	0.51%	.07%	0.32%	.39%	0.10%

	Nine months ended June 30, 2010			VaR at	
	High	Low	Daily Average (\$ in thousands)	June 30, 2010	
Daily VaR	\$ 870	\$ 300	\$ 554	\$ 435	
Related portfolio value (net) <sup>(1)</sup>	57,614	192,144	191,152	270,918	
VaR as a percent of portfolio value	0.55%	0.16%	0.33%	0.16%	

(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.

In addition, see Note 11 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information regarding our derivative financial instruments.

RJ Bank maintains an earning asset portfolio that is comprised of commercial and residential real estate, commercial and consumer loans, as well as mortgage-backed securities, collateralized mortgage obligations, Small Business Administration loan securitizations, deposits at other banks and other investments. Those earning assets are funded by RJ Bank's obligations to customers. Based on the current earning asset portfolio of RJ Bank, market risk for RJ Bank is limited primarily to interest rate risk. The current economic environment has led to an extended period of low market interest rates. As a result, the majority of RJ Bank's adjustable rate assets and liabilities have experienced a reduction in interest rate yields and costs that reflect these very low market interest rates. During the quarter, RJ Bank has focused its interest rate risk analysis on the risk of market interest rates rising should the economic environment begin to improve. 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.

One of the 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 methods used to measure this sensitivity are described on page 64 of our 2010 Form 10-K. There were no material changes to these methods during the nine months ended June 30, 2011.

The following table is an analysis of RJ Bank's estimated net interest income over a 12 month period based on instantaneous shifts in interest rates (expressed in basis points) using RJ Bank's own internal asset/liability model:

Changes in rate	Net interest income (\$ in thousands)	Projected change in net interest income
+300	\$ 295,528	2.35%
+200	298,964	3.54%
+100	301,644	4.46%
-	288,754	-
-100	274,976	(4.77)%

The following table presents the amount of RJ Bank's interest-earning assets and interest-bearing liabilities expected to reprice, prepay or mature in each of the indicated periods at June 30, 2011:

	Repricing opportunities			
	0 - 6 months	7 - 12 months	1 - 5 years	5 or more years
	(in thousands)			
<b>Interest-earning assets:</b>				
Loans	\$ 5,584,277	\$ 483,215	\$ 321,741	\$ 52,389
Available for sale securities	188,664	21,777	90,149	63,199
Other investments	1,101,018	-	-	-
Total interest-earning assets	6,873,959	504,992	411,890	115,588
<b>Interest-bearing liabilities:</b>				
Transaction and savings accounts	6,705,359	-	-	-
Certificates of deposit	41,480	18,519	179,100	-
Total interest-bearing liabilities	6,746,839	18,519	179,100	-
Gap	127,120	486,473	232,790	115,588
Cumulative gap	\$ 127,120	\$ 613,593	\$ 846,383	\$ 961,971

The following table shows the distribution of the recorded investment of those RJ Bank loans that mature in more than one year between fixed and adjustable interest rate loans at June 30, 2011:

	Interest rate type		Total
	Fixed	Adjustable	
	(in thousands)		
Loans held for sale	\$ 3,988	\$ 59,634	\$ 63,622
Loans held for investment:			
Commercial loans	2,208	3,710,055	3,712,263
Commercial RE construction loans	-	3,589	3,589
Commercial real estate loans	1,731	469,780	471,511
Residential mortgage loans	54,835	1,704,405	1,759,240
Consumer loans	-	25	25
Total loans held for investment	58,774	5,887,854	5,946,628
Total loans	\$ 62,762	\$ 5,947,488	\$ 6,010,250

To mitigate interest rate risk in a significantly rising rate environment, during fiscal year 2008 RJ Bank purchased three-year term interest rate caps. See Note 11 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further discussion.

#### Equity Price Risk

We are 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. RJ Ltd. has a proprietary trading business; the average aggregate inventory held for proprietary trading by RJ Ltd. during the nine months ended June 30, 2011 was CDN \$16.3 million. We attempt to reduce the risk of loss inherent in our inventory of equity securities by monitoring those security positions constantly throughout each day and establishing position limits.



## Foreign Exchange Risk

We are subject to foreign exchange risk due to financial instruments denominated in U.S. dollars predominantly held by RJ Ltd., whose functional currency is the Canadian dollar, which may be impacted by fluctuation in foreign exchange rates and our investments in foreign subsidiaries. In order to mitigate the former risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is nominal. As of June 30, 2011, forward contracts outstanding to buy and sell U.S. dollars totaled CDN \$18.7 million and CDN \$3.4 million, respectively. To date, we have elected not to hedge the carrying value of our investments in foreign subsidiaries for a variety of reasons, including but not limited to immateriality, accounting considerations, and the economic cost of hedging particular exposures.

## 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. Refer to the discussion of our credit risk on pages 65 - 72 of our 2010 Form 10-K.

See Notes 1 and 6 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional disclosures arising from new accounting guidance regarding the credit quality of our financing receivables.

RJ Bank's strategy for credit risk management includes conservative and well-defined credit policies, uniform underwriting criteria, and ongoing risk monitoring and review processes for all corporate, residential and consumer credit exposures. The strategy also includes diversification on a geographic, industry and customer level, regular credit examinations and management reviews of all corporate loans and individual delinquent residential and consumer loans. The credit risk management process also includes an annual independent review of the credit risk monitoring process that performs assessments of compliance with corporate, residential mortgage and consumer credit policies, risk ratings, and other critical credit information.

In evaluating credit risk, RJ Bank considers trends in loan performance, the level of allowance coverage relative to similar banking institutions, industry or customer concentrations, the loan portfolio composition and macroeconomic factors.

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

	Nine months ended June 30,	
	2011	2010
	(\$ in thousands)	
Allowance for loan losses, beginning of period	\$ 147,084	\$ 150,272
Provision for loan losses	28,232	59,870
Net charge-offs	(29,516)	(63,051)
Allowance for loan losses, end of period	\$ 145,800	\$ 147,091
Allowance for loan losses to total bank loans outstanding	2.28%	2.33%

The primary factors impacting the provision for loan losses during the period were a reduction in commercial real estate nonperforming loans, an improvement in the credit characteristics of certain problem loans, reduced loan charge-offs and the stabilization of the balance of residential mortgage nonperforming loans. In addition, although the amount of nonperforming loans remains elevated by historical standards, somewhat improved economic conditions relative to the prior year has limited the amount of new problem loans. The current period's provision for loan losses also includes \$2 million as a result of the impact of the banking regulators' annual SNC exam. The prior period's provision for loan losses does not include the SNC exam results as it was not received until the fourth quarter of the prior fiscal year.

The following table presents net loan charge-offs and the percentage of net loan charge-offs to the average outstanding loan balances by loan portfolio segment (annualized):

	Three months ended June 30,				Nine months ended June 30,			
	2011		2010		2011		2010	
	Net Loan Charge-off Amount	% of Avg. Outstanding Loans	Net Loan Charge-off Amount	% of Avg. Outstanding Loans	Net Loan Charge-off Amount	% of Avg. Outstanding Loans	Net Loan Charge-off Amount	% of Avg. Outstanding Loans
	(\$ in thousands)							
Commercial	\$ 370	0.04%	\$ -	-	\$ 452	0.02%	\$ -	-
CRE	3,302	1.73%	11,553	4.82%	12,953	2.21%	39,186	5.29%
Residential mortgage	4,794	1.07%	6,812	1.26%	15,860	1.12%	23,865	1.41%
Consumer	212	14.33%	-	-	251	4.82%	-	-
Total	\$ 8,678	0.55%	\$ 18,365	1.16%	\$ 29,516	0.63%	\$ 63,051	1.29%

The level of charge-off activity is a factor that is considered in evaluating the potential for and severity of future credit losses. The 53% decline in net charge-offs compared to the prior year quarter was primarily attributable to improved credit quality in the CRE loan portfolio in addition to a stabilization of the balance in nonperforming residential mortgage loans. Prior year commercial real estate charge-offs included \$9 million related to one CRE loan.

The table below presents nonperforming loans and total allowance for loan losses:

	June 30, 2011		September 30, 2010	
	Nonperforming Loan Balance	Allowance for Loan Losses Balance	Nonperforming Loan Balance	Allowance for Loan Losses Balance
	(in thousands)			
Loans held for sale	\$ -	\$ (5)	\$ -	\$ (23)
Loans held for investment:				
Commercial	26,192	(73,609)	-	(60,464)
CRE construction	-	(427)	-	(4,473)
CRE	25,805	(35,743)	67,901	(47,771)
Residential mortgage	88,064	(35,996)	86,082	(34,297)
Consumer	-	(20)	-	(56)
Total	\$ 140,061	\$ (145,800)	\$ 153,983	\$ (147,084)

The level of nonperforming loans is another indicator of potential future credit losses. The amount of nonperforming loans decreased 9% during the nine months ended June 30, 2011. CRE nonperforming loans decreased \$42 million, primarily due to the full resolution of our largest nonperforming loan, the pay-off of two CRE loans, and the partial charge-off of two others, which was partially offset by the addition of six loans which were placed on nonaccrual status during the year. Two commercial loans were added to nonperforming loans during the current quarter end. Nonperforming residential mortgage loans increased \$2 million due to the ongoing elevated level of residential mortgage loan delinquencies. Included in nonperforming residential mortgage loans are \$74.1 million in loans for which \$41.3 million in charge-offs were previously recorded.

#### Loan Underwriting Policies

RJ Bank's underwriting policies for the major types of loans are described on pages 68 - 69 of our 2010 Form 10-K. There were no material changes in RJ Bank's underwriting policies during the nine months ended June 30, 2011.

#### Risk Monitoring Process

RJ Bank's credit risk strategy regarding ongoing risk monitoring and review process for all of its residential, consumer and corporate credit exposures is discussed on pages 69 - 72 of our 2010 Form 10-K. There were no material changes to those processes and policies during the nine month period ended June 30, 2011.

## Residential and Consumer Loans

We track and review many factors to monitor credit risk in RJ Bank's residential mortgage loan portfolio. These factors include, but are not limited to: loan performance trends, loan product parameters and qualification requirements, geographic concentrations, borrower credit scores, updated loan-to-value ("LTV") ratios, occupancy (i.e. owner occupied, second home or investment property), level of documentation, loan purpose, average loan size, and policy exceptions.

Residential mortgage and consumer loan delinquency levels have been increasing at RJ Bank due to the current economic downturn and the high level of unemployment. At June 30, 2011, loans over 30 days delinquent (including nonperforming loans) increased to 4.51% of residential and consumer loans outstanding, compared to 4.44% over 30 days delinquent at September 30, 2010, despite an actual total dollar decrease of \$10.7 million in residential and consumer loans over 30 days delinquent. Additionally, our June 30, 2011 percentage compares favorably to the national average for over 30 day delinquencies of 10.52% as most recently reported by the Federal Reserve.

The following table presents a summary of delinquent residential and consumer loans:

	<b>Delinquent residential and consumer loans (amount)</b>		<b>Delinquent residential and consumer loans as a percentage of outstanding loan balances</b>	
	<b>June 30, 2011</b>	<b>September 30, 2010</b>	<b>June 30, 2011</b>	<b>September 30, 2010</b>
	(\$ in thousands)			
30-89 days	\$ 17,124	\$ 24,441	0.97%	1.20%
90 days or more	62,485	65,897	3.54%	3.24%

To manage and limit credit losses, we maintain a rigorous process to manage our loan delinquencies. See page 70 of our 2010 Form 10 - K for further discussion of this process. There have been no material changes to this process during the nine months ended June 30, 2011.

Credit risk is also managed by diversifying the residential mortgage portfolio. The geographic concentrations (top five states) of RJ Bank's one-to-four family residential mortgage loans are as follows:

June 30, 2011		September 30, 2010 <sup>(1)</sup>	
(\$ outstanding as a % of RJ Bank total assets)			
3.6%	CA <sup>(2)</sup>	4.8%	CA <sup>(2)</sup>
2.8%	FL	3.2%	FL
2.3%	NY	3.2%	NY
1.2%	NJ	1.5%	NJ
1.1%	VA	1.2%	VA

(1) Concentration ratios are presented as a percentage of adjusted RJ Bank total assets of \$7.3 billion. Adjusted RJ Bank total assets (non-GAAP) at September 30, 2010 exclude \$3.5 billion in qualifying assets funded by approximately \$700 million of additional RJBDP deposits, approximately \$400 million in deposits from affiliates and a \$2.4 billion overnight FHLB advance. The deposits from affiliates were withdrawn and the FHLB advance was repaid on October 1, 2010. The additional RJBDP deposits were redirected to other RJBDP participating banks during early October 2010. The non-GAAP financial measure provided loan portfolio concentration ratios which are more representative of RJ Bank's ongoing asset levels. Had a GAAP measure of total assets been used in the calculation of these ratios, the resulting percentages for CA, FL, NY, NJ and VA as of September 30, 2010 would have been 3.3%, 2.2%, 2.1%, 1.0% and 0.8%, respectively, and would have understated the actual concentrations used in RJ Bank's credit risk analysis.

(2) This concentration ratio for the State of California excludes 2.2% and 2.3% at June 30, 2011 and September 30, 2010, respectively, for purchased loans that have full repurchase recourse for any delinquent loans.

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. At June 30, 2011 and September 30, 2010, these loans totaled \$744 million and \$1.1 billion, respectively, or approximately 45% and 60% of the residential mortgage portfolio, respectively. In the current interest rate environment, a large percentage of these loans were projected to adjust to a payment lower than the current payment. The outstanding balance of interest-only loans, based on their contractual terms, are scheduled to reprice as follows:

	<b>June 30, 2011</b> <b>(in thousands)</b>
One year or less	\$ 417,947
Over one year through two years	145,158
Over two years through three years	80,556
Over three years through four years	69,883
Over four years through five years	12,509
Over five years	17,734
<b>Total outstanding residential interest-only loan balance</b>	<b>\$ 743,787</b>

A component of credit risk management for the residential portfolio is the LTV and borrower credit score at origination or purchase. The most recent LTV/FICO scores at origination of RJ Bank's residential first mortgage loan portfolio are as follows:

	<b>June 30, 2011</b>	<b>September 30, 2010</b>
<b>Residential first mortgage loan weighted-average LTV/FICO <sup>(1)</sup></b>	<b>66%/751</b>	<b>65%/751</b>

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

In addition, RJ Bank obtains the most recently available information to estimate current LTV ratios on the individual loans in the residential portfolio. Current LTVs are estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination. The value of the homes could vary from actual market values due to change in the condition of the underlying property, variations in housing price changes within metropolitan statistical areas and other factors.

RJ Bank estimates that residential loans with LTVs between 100% and 120% represent 19% of the residential mortgage loan portfolio and residential loans with LTVs in excess of 120% represent 12% of the residential mortgage loan portfolio. The average estimated LTV is approximately 80% for the total residential mortgage loan portfolio. Credit risk management for the residential portfolio utilizes this data in conjunction with delinquency statistics, loss experience and economic circumstances to establish appropriate allowance for loan losses for the residential mortgage loan portfolio, which is based upon an estimate for the probability of default and loss given default for each homogeneous class of loans.

#### *Corporate Loans*

At June 30, 2011, in addition to loans classified as nonperforming, there was one \$19.2 million loan that was delinquent greater than 30 days. This loan matured prior to June 30, 2011 period end and it is expected that it will be extended prior to the next quarter end.

Credit risk is also managed by diversifying the corporate loan portfolio. RJ Bank's corporate portfolio does not contain a significant concentration in any single industry. The industry concentrations (top five categories) of RJ Bank's corporate loans are as follows:

June 30, 2011		September 30, 2010 <sup>(1)</sup>	
(\$ outstanding as a % of RJ Bank total assets)			
4.9%	Telecommunications	4.3%	Consumer products and services
4.0%	Consumer products and services	4.1%	Telecommunications
3.2%	Media communications	3.2%	Hospitality
3.0%	Healthcare providers (non-hospitals)	2.8%	Retail real estate
2.9%	Pharmaceuticals	2.6%	Hospitals

(1) Concentration ratios are presented as a percentage of adjusted RJ Bank total assets of \$7.3 billion. Adjusted RJ Bank total assets (non-GAAP) at September 30, 2010 exclude \$3.5 billion in qualifying assets funded by approximately \$700 million of additional RJBDP deposits, approximately \$400 million in deposits from affiliates and a \$2.4 billion overnight FHLB advance. The deposits from affiliates were withdrawn and the FHLB advance was repaid on October 1, 2010. The additional RJBDP deposits were redirected to other RJBDP participating banks during early October 2010. The non-GAAP financial measure provided loan portfolio concentration ratios which are more representative of RJ Bank's ongoing asset levels. Had a GAAP measure of total assets been used in the calculation of these ratios, the resulting percentages for Consumer Products and Services, Telecommunications, Hospitality, Retail Real Estate, and Hospitals would have been 2.9%, 2.8%, 2.2%, 1.9% and 1.7%, respectively, and would have understated the actual concentrations used in RJ Bank's credit risk analysis.

#### Liquidity Risk

See the section entitled "Liquidity and Capital Resources" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q for more information regarding our liquidity and how we manage 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 our reports filed under the Exchange Act, such as this report, are 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 our 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 ours 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 our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our 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, our 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 our internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

The following information supplements and amends the disclosure set forth under Part I, Item 3 “Legal Proceedings” on pages 25 - 26 of our 2010 Form 10-K.

In connection with ARS, our principal broker-dealers, RJ&A and RJFS, were subject to investigations by the SEC, and certain states led by Florida’s Office of Financial Regulation and the Texas Securities Board regarding the sale of ARS. On June 29, 2011, RJ&A and RJFS finalized settlements with the SEC and other regulatory authorities, concluding investigations by the regulators into RJ&A and RJFS’ offer and sale of ARS. Under these settlement agreements, in July we extended an offer to purchase at par, from certain current and former clients, eligible ARS that were purchased through RJ&A or RJFS on or before February 13, 2008, provided the eligible ARS were not transferred away from RJ&A or RJFS prior to January 1, 2006 and those securities were held on February 13, 2008. This offer does not extend to clients whose accounts were owned, managed or advised by or through correspondent broker-dealers or unaffiliated investment advisors or who acted as institutional money managers and did not hold ARS in RJ&A or RJFS accounts. This offer will remain open until September 29, 2011. For eligible clients who accept the offer prior to its expiration, we expect to purchase their eligible ARS no later than October 6, 2011. RJ Securities, Inc. (“RJS”), a wholly owned non-broker-dealer subsidiary, will purchase and hold the ARS repurchased as a result of this settlement. RJF has guaranteed RJS’ obligation to perform these repurchases. In addition, RJ&A and RJFS will use its best efforts to identify and then make whole any losses sustained by eligible clients who purchased ARS through RJ&A or RJFS on or before February 13, 2008 and sold such securities at a loss prior to June 29, 2011. We will use our best efforts to identify and then reimburse clients who had borrowing costs related to providing liquidity on ARS which exceeded the amount they earned in interest or dividends from their eligible ARS at the time they borrowed money from RJ&A or RJFS. RJ&A and RJFS will participate in a special arbitration process for the purpose of arbitrating eligible investors’ consequential damage claims arising from their inability to sell their eligible ARS. No fines were imposed by the SEC under the settlement agreement. A fine in the amount of \$1.75 million was imposed by the state regulators and is included in other expense in our Condensed Consolidated Statements of Income.

See Note 13 of the Notes to Condensed Consolidated Financial Statements for a discussion of the estimated loss resulting from this ARS settlement that is reflected in our condensed consolidated financial statements. Refer to the section entitled “Sources of Liquidity” in Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q, for more information regarding the impact of this ARS settlement on our liquidity.

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

## Item 1A. RISK FACTORS

See Item 1A: Risk Factors, on pages 13 - 23 of our 2010 Form 10-K for a discussion of risk factors that impact our operations and financial results. With the exception of the below, there have been no material changes in the risk factors as discussed therein.

### Concerns Regarding Downgrade of the U.S. Credit Rating Could Have a Material Adverse Effect on Our Business, Financial Condition and Liquidity

On August 5, 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+, while maintaining a negative outlook. While U.S. lawmakers reached agreement to raise the federal debt ceiling on August 2, 2011, the downgrade reflected Standard & Poor's view that the fiscal consolidation plan within that agreement fell short of what would be necessary to stabilize the U.S. government's medium term debt dynamics. This downgrade could have material adverse impacts on financial markets and economic conditions in the United States and throughout the world and, in turn, the market's anticipation of these impacts could have a material adverse effect on our business, financial condition and liquidity. Because of the unprecedented nature of negative credit rating actions with respect to U.S. government obligations, the ultimate impacts on global markets and our business, financial condition and liquidity are unpredictable and may not be immediately apparent.

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

The following table presents information on our purchases of our own stock, on a monthly basis, for the nine month period ended June 30, 2011:

	Number of Shares Purchased <sup>(1)</sup>	Average Price per Share
October 1, 2010 – October 31, 2010	-	\$ -
November 1, 2010 – November 30, 2010	10,967	30.59
December 1, 2010 – December 31, 2010	170,564	26.91
<b>First quarter</b>	<b>181,531</b>	<b>27.13</b>
January 1, 2011 – January 31, 2011	22,085	34.79
February 1, 2011 – February 28, 2011	25,345	37.92
March 1, 2011 – March 31, 2011	-	-
<b>Second quarter</b>	<b>47,430</b>	<b>36.46</b>
April 1, 2011 – April 30, 2011	-	-
May 1, 2011 – May 31, 2011	-	-
June 1, 2011 – June 30, 2011	-	-
<b>Third quarter</b>	<b>-</b>	<b>-</b>
<b>Year-to-date</b>	<b>228,961</b>	<b>\$ 29.07</b>

- (1) We do not have a formal stock repurchase plan. Since May 2004, our Board of Directors has authorized \$150 million for repurchases at the discretion of our Board's Share Repurchase Committee. As a result, 4,105,245 shares have been repurchased for a total of \$94.7 million, leaving \$55.3 million available to repurchase shares. Historically we have considered such purchases when the price of our 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. We did not purchase shares in open market transactions during the nine months ended June 30, 2011. During the nine months ended June 30, 2011, 158,469 shares were purchased for the trust fund that was established and funded to acquire our common stock in the open market to be used to settle restricted stock units granted as a retention vehicle for certain employees of our wholly owned Canadian subsidiary (see Note 15 of the Notes to Condensed Consolidated Financial Statements for more information on this trust fund). We received 70,492 shares that were surrendered by employees as payment for option exercises during the nine months ended June 30, 2011.

We expect to continue paying cash dividends. However, the payment and rate of dividends on our common stock is subject to several factors including operating results, our financial requirements, and the availability of funds from our subsidiaries, including the broker-dealer and bank subsidiaries, which may be subject to restrictions under the net capital rules of the SEC, FINRA and the Investment Industry Regulatory Organization of Canada ("IIROC") and RJ Bank, which may be subject to restrictions by federal banking agencies. Such restrictions have never limited our dividend payments. (See Note 16 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for more information on the capital restrictions placed on RJ Bank and our broker-dealer subsidiaries.)



Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 5. OTHER INFORMATION

None.

**Item 6. EXHIBITS**

- 4.3 First Supplemental Indenture, dated as of August 20, 2009 (for senior debt securities) between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 as filed with Form 8-K on August 20, 2009.
- 4.4 Second Supplemental Indenture, dated as of April 11, 2011 (for senior debt securities) between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 as filed with Form 8-K on April 11, 2011.
- 10.18 SEC Order Instituting Administrative and Cease-and-Desist Proceedings dated June 29, 2011, filed herewith.
- 10.19 State of Florida Office of Financial Regulation Administrative Consent Agreement to Final Order dated June 29, 2011, filed herewith.
- 10.20 Texas State Securities Board Consent Order dated June 29, 2011, 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.
- 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 Certification by Chief Executive Officer and 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 9, 2011

/s/ Paul C. Reilly  
Paul C. Reilly  
Chief Executive Officer

Date: August 9, 2011

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

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933  
Release No. 9228 / June 29, 2011

SECURITIES EXCHANGE ACT OF 1934  
Release No. 64767 / June 29, 2011

INVESTMENT ADVISERS ACT OF 1940  
Release No. 3227 / June 29, 2011

ADMINISTRATIVE PROCEEDING  
File No. 3-14445

In the Matter of

RAYMOND JAMES & ASSOCIATES, INC. AND  
RAYMOND JAMES FINANCIAL SERVICES, INC.

Respondents.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTION 203(e) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER.

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and Section 203(e) of the Investment Advisers Act of 1940 ("Advisers Act"), against Raymond James & Associates, Inc. ("RJ&A") and Raymond James Financial Services, Inc. ("RJFS") (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 15(b) of the Exchange Act, and Section 203(e) of the Advisers Act, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### Summary

Respondents offered and sold to some of their customers financial instruments known as auction rate securities ("ARS") while not accurately characterizing or while failing to adequately disclose the true nature and risks associated with these investments. ARS are bonds or preferred stock whose liquidity depends upon sufficient demand at periodic securities auctions. Although Respondents' ARS trade confirmations, sent after customers purchased ARS, disclosed the risk that these auctions could fail and that Respondents were not obliged to ensure their success, at the point-of-sale, some of Respondents' registered representatives and financial advisers improperly described ARS as safe, liquid alternatives to money market funds and other cash-like investments, without adequately disclosing the auction process or the risk of illiquidity if these auctions failed. On February 13, 2008, a significant number of ARS auctions failed, resulting in an overall market collapse that left thousands of investors, including Respondents' customers, holding ARS that they have not been able to liquidate. By engaging in the conduct described herein, Respondents violated Section 17(a)(2) of the Securities Act.

#### Respondents

1. Respondent RJ&A, a Florida corporation headquartered in St. Petersburg, Florida, is a broker-dealer registered with the Commission pursuant to Section 15(b) of the Exchange Act and is a member of the Financial Industry Regulatory Authority ("FINRA"). RJ&A is also an investment adviser registered with the Commission pursuant to Section 203(a) of the Advisers Act.
2. Respondent RJFS, a Florida corporation headquartered in St. Petersburg, Florida, is a broker-dealer registered with the Commission pursuant to Section 15(b) of the Exchange Act and is a member of FINRA. RJFS was also registered with the Commission as an investment adviser pursuant to Section 203(a) of the Advisers Act until December 2009.

#### Facts

##### Description of ARS

3. ARS are bonds or preferred stock which provide for interest rates or dividend yields that are periodically reset through auctions, typically held every seven, twenty-eight, or thirty-five days. ARS are usually issued with maturities of thirty years, but the maturities can range from five years to perpetuity. ARS yields are determined at the periodic auctions during which the ARS are auctioned at par. ARS typically can be bought or sold only at one of these periodic auctions.
4. Under the typical procedures for an auction for ARS, investors who wished to purchase ARS at an auction submitted a bid which included the minimum interest or dividend rate that the investors would accept. Holders of ARS could either choose to keep their securities until the next auction or submit an offer to sell their ARS. An auction agent collected all of the bids and offers for a particular auction.
5. The final rate at which all of the ARS offered for sale were sold was the "clearing rate" that applied to that particular ARS until the next auction. Bids with the lowest rate and then successively higher rates were accepted until all of the sell orders were filled. The clearing rate was the lowest rate bid sufficient to cover all of the securities for sale in the auction.
6. If there were not enough bids to cover the securities offered for sale in an auction, then an auction would fail. In a failed auction, investors who want to sell securities are not able to do so, and hold their ARS until at least the next auction. In this event, the issuer pays the holders a maximum rate or "penalty" rate. These rates might be higher or lower than the prior clearing rate or market rates on similar products.

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

#### **Respondents' Roles in the ARS Market**

7. To facilitate the auction process, the issuers of the ARS selected one or more broker-dealers to underwrite the offering and/or manage the auction process. In many instances, these broker-dealers submitted their own bids to prevent the auctions from failing, maintain an orderly market, or set a clearing rate.
8. Respondent RJ&A acted as an underwriter of single-issuer municipal auction rate securities ("MARS"). RJ&A managed the auctions of MARS it underwrote and of MARS underwritten by other broker-dealers. Additionally, RJ&A submitted bids in the auctions it managed to prevent them from failing, to maintain an orderly market, or to set a clearing rate. Respondent RJFS did not underwrite or act as an auction manager for ARS, and did not at any time submit bids in auctions.
9. Respondents RJ&A and RJFS also acted as agents, on a solicited and unsolicited basis, for their customers by submitting customers' orders to purchase and sell two other ARS products: auction rate preferred securities backed by a pool of municipal bonds ("ARPS"); and taxable auction rate securities, which were variable rate perpetual preferred stock issued by closed-end funds ("TARS"). As distributing or "downstream" broker-dealers for the ARPS and TARS, Respondents did not submit bids in these auctions.

#### **Collapse of the ARS Market and the Effect on Respondents' Customers**

10. In the early part of 2008, many of the broker-dealers that acted as underwriters of the ARS offerings or as lead managers for the ARS auctions stopped submitting their own bids in support of the ARS auctions. As a result, by February 13, 2008, the ARS market began to experience widespread auction failures, leaving investors throughout the industry unable to sell their ARS holdings.
11. From February 13, 2008, through the present, the ARS market continues to experience widespread failures, making many ARS holdings illiquid. Some ARS have been redeemed by their issuers since that time. However, numerous investors, including some of Respondents' customers, currently hold ARS that they have been unable to sell through the auction process and have not yet been redeemed by the issuers.

#### **Purchases of ARS by Respondents' Customers**

12. Prior to the middle of February 2008, Respondents' registered representatives and financial advisers sold ARS to customers through telephone, email, and other interstate communications. Some of Respondents' representatives and financial advisers made inaccurate comparisons between ARS and other investments, such as money market funds, telling customers that ARS were "cash equivalents," "the same as cash," and "highly liquid." Respondents' representatives and financial advisers did not accurately characterize the investment nature of ARS since ARS are highly complex securities that are very different from money market funds, as evidenced by, among other things, the dependence of ARS on successful auctions for liquidity.
13. Respondents' ARS trade confirmations, sent after customers purchased ARS, disclosed the risk that these auctions could fail and that Respondents were not obliged to ensure their success. Nevertheless, Respondents did not provide customers with adequate and complete disclosures regarding the complexity of the auction process including failing to adequately disclose to customers that Respondent RJ&A managed the auctions of the MARS and that RJ&A routinely bid in MARS auctions to prevent a failed auction, maintain an orderly market, or set a particular clearing rate. For example, some of Respondents' representatives and financial advisers did not adequately disclose to customers that their ARS could become illiquid for an indeterminate period of time in the event of an auction failure.
14. Respondents should have known that their registered representatives and financial advisers marketed ARS to customers as highly liquid and as an alternative to cash or money market funds without adequately disclosing that ARS are complex securities that may become illiquid.
15. Currently, numerous customers who purchased ARS through Respondents prior to the collapse of the ARS market in the middle of February 2008 hold hundreds of millions of dollars in illiquid ARS. Most of these customers hold ARPS or TARS for which Respondents acted in a downstream capacity.

### Violations

16. As a result of the conduct described above, Respondents willfully<sup>2</sup> violated Section 17(a)(2) of the Securities Act, which makes it unlawful for any person in the offer or sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

### Undertakings

17. Respondents have undertaken to purchase Eligible ARS held by Eligible Customers, and other measures, as specified under the terms set forth below. In determining whether to accept Respondents' Offers, the Commission has considered these undertakings.

#### A. Key Definitions

1. Eligible Auction Rate Securities. As used in these undertakings, "Eligible ARS" shall mean auction rate securities that were purchased at Respondents on or before February 13, 2008 and that have failed at auction at least once since February 13, 2008. Notwithstanding the foregoing definition, the term "Eligible ARS" shall not include ARS that were purchased at Respondents in accounts owned, managed or advised by or through correspondent broker-dealers or unaffiliated registered investment advisers.

2. Eligible Customers. As used in these undertakings, "Eligible Customers" shall mean the current and former account owners who purchased Eligible ARS at Respondents on or before February 13, 2008, did not transfer such Eligible ARS away from Respondents prior to January 1, 2006, and held those securities on February 13, 2008. Provided, however, the term "Eligible Customers" shall not include customers who resolved their ARS claims through arbitration proceedings or negotiated settlements with Respondents. The term "Eligible Customers" also shall not include ARS customers who acted as institutional money managers and did not hold ARS in RJ&A or RJFS accounts (collectively, the "Institutional Money Managers").

a. Respondents will use their best efforts to provide the Institutional Money Managers, within nine (9) months of the date of this Order, opportunities to liquidate their Eligible ARS including, but not limited to, facilitating issuer redemptions, restructurings, and through other reasonable means. Although Respondents are required to use their best efforts to liquidate Eligible ARS owned by the Institutional Money Managers, the Respondents are not obligated to purchase the securities.

b. Respondents will use their best efforts to identify and locate customers who purchased Eligible ARS at Respondents but who transferred such Eligible ARS away from Respondents prior to January 1, 2006. Respondents will provide any such customers the Offer Notices described in Section C.1., below, the Acceptance and Purchase Procedures described in Section D., below, and the other terms described in Sections E., F., and G., below.

B. Customer Notification -- Customer Assistance Line and Internet Page. No later than two (2) business days after the date of this Order, Respondents shall establish: 1) a dedicated toll-free telephone assistance line, with appropriate staffing, to provide information and to respond to questions concerning the terms of this Order; and 2) a public Internet page on their corporate Web site(s), with a prominent link to that page appearing on Respondents' relevant homepage(s), to provide information concerning the terms of this Order and, via an e-mail address or other reasonable means, to respond to questions concerning the terms of this Order. Respondents shall maintain the telephone assistance line and Internet page for at least nine (9) months from the date of this Order.

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<sup>2</sup> A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

C. Respondents' Offer to Purchase Eligible ARS

1. Offer Notices.

a. First Offer Notice. No later than thirty (30) days after the date of this Order, Respondents shall offer to purchase, at par plus accrued and unpaid dividends/interest, Eligible ARS from Eligible Customers ("Purchase Offer"), and explain what the Eligible Customers must do to accept, in whole or in part, the Purchase Offer. Respondents shall also inform the Eligible Customers of the relevant terms of this Order and any other material issues regarding the Eligible Customers' rights.

b. Second Offer Notice. To the extent that any Eligible Customers have not responded to the Purchase Offer on or before forty-five (45) days before the end of the applicable Offer Period (defined below), Respondents shall provide any such Eligible Customers a second written notice informing them again of the Respondents' Purchase Offer, the relevant terms of this Order and any other material issues regarding the Eligible Customers' rights.

2. Offer Period. For Eligible Customers, the Purchase Offer shall remain open for a period of seventy-five (75) days from the date on which Respondents sent the First Offer Notice ("Offer Period").

D. Acceptance and Purchase Procedures

1. Eligible Customer Acceptance. Eligible Customers may accept Respondents' Purchase Offer by notifying Respondents in writing at any time before midnight, Eastern Time, on the last day of the Offer Period, or such later date and time as may be extended by Respondents. An acceptance must be received by Respondents prior to the expiration of the Offer Period, or such later date as may be extended by Respondents and the Commission staff.

2. Purchase Notice. For those Eligible Customers who accept Respondents' Purchase Offer within the Offer Period, Respondents shall send those Eligible Customers a notice ("Purchase Notice"), indicating when ("Purchase Date") and how Respondents will purchase their Eligible ARS.

3. Eligible Customers' Right to Revoke. Eligible Customers may revoke their acceptance of Respondents' Purchase Offer up until Respondents purchase an Eligible Customer's Eligible ARS.

4. Purchases Relating to Eligible Customers Who Accept the Purchase Offer. For those Eligible Customers who accept Respondents' Purchase Offer, Respondents shall purchase their Eligible ARS no later than five (5) business days following expiration of the Offer Period.

5. Purchases Relating to Eligible Customers Who Transferred Their Eligible ARS Away from Respondents. Respondents' purchase obligations described above apply equally to those Eligible Customers who accept Respondents' Purchase Offer within the Offer Period, but who have since transferred their Eligible ARS away from Respondents.

a. Respondents' purchase obligations to these Eligible Customers shall be contingent on: (1) Respondents receiving reasonably satisfactory assurance from the financial services firm currently holding the Eligible Customer's Eligible ARS that the bidding rights associated with the Eligible ARS will be transferred to the Respondents; (2) the Eligible Customer reactivating their former account with Respondents; and (3) the transfer of the Eligible ARS to the Eligible Customer's former account with Respondents.

b. Respondents shall use their best efforts to identify, contact and assist such Eligible Customers to reactivate their former account at Respondent and to transfer the Eligible ARS to such account, and shall not charge such Eligible Customers any fees relating to or in connection with the transfer to Respondents or custodianship by Respondents of such Eligible ARS.



E. Reimbursement for Related Loan Expenses. Respondents shall use their best efforts to identify Eligible Customers who took out loans from Respondents after February 13, 2008 secured by Eligible ARS that were not successfully auctioning at the time the loan was taken and who paid interest associated with the ARS-based portion of those loans in excess of the total interest and dividends received on the Eligible ARS during the duration of the loan. Respondents shall reimburse such customers for the excess expense, plus reasonable interest thereon. Such reimbursement shall occur no later than seventy-five (75) days after the date of this Order.

F. Relief for Eligible Customers Who Sold Or Redeemed Below Par. Respondents shall use their best efforts to identify any Eligible Customers who: (1) purchased Eligible ARS at Respondents on or before February 13, 2008; and (2) subsequently sold those Eligible ARS below par between February 13, 2008 and the date of this Order (referred to as "Below Par Sellers"). Within seventy-five (75) days of the date of this Order, Respondents shall pay any such identified Below Par Sellers the difference between par and the price at which the Below Par Seller sold or redeemed the Eligible ARS, plus reasonable interest thereon. Respondents shall promptly pay any such Below Par Seller identified thereafter.

G. Consequential Damages Claims.

1. Special Arbitration Procedures. Respondents shall consent to participate, at the election of an Eligible Customer, in the special arbitration procedures announced by FINRA on December 16, 2008, and available on their website at <http://www.finra.org/web/groups/arbitrationmediation/@arbmed/documents/arbmed/p117445.pdf> for the exclusive purpose of arbitrating an Eligible Customer's claim for consequential damages against Respondents related to the customer's investment in Eligible ARS. As explained by the special arbitration procedures, the following shall apply:

a. Forum Fees. Respondents will pay all forum fees associated with the arbitration.

b. Burden of Proof. Eligible Customers shall bear the burden of proving by a preponderance of the evidence the existence and amount of consequential damages suffered as a result of the illiquidity of the Eligible ARS. Although they may defend themselves against consequential damage claims, Respondents shall not argue against liability for the illiquidity of the underlying Eligible ARS position or use as part of their defense any decision by the Eligible Customer not to borrow money from Respondents.

c. Eligible Customers Who Previously Arbitrated or Settled. Eligible Customers who previously arbitrated or previously settled and released claims relating to their Eligible ARS are not eligible to participate in the special arbitration procedures.

d. Other Damages. Eligible Customers who elect to use the special arbitration procedures provided for within this subparagraph shall not be eligible for punitive damages, or any other type of damages other than consequential damages. Eligible Customers proceeding under the special arbitration procedures may not recover as consequential damages any attorneys' fees incurred in connection with the arbitration or any related mediation proceeding.

H. Other Proceedings/Relief. All Eligible Customers who avail themselves of the relief provided pursuant to this Order may pursue any remedies against Respondents available under the law subject to any defenses Respondents may have. However, those customers that elect to utilize the special arbitration procedures set forth above are limited to the remedies available in that process and may not bring or pursue a claim relating to ARS in another forum.

I. Reports and Meetings

1. Beginning with the month ended after the date of this Order and continuing through the month ended nine (9) months from the date of this Order, Respondents shall submit bi-monthly written reports and a final written report detailing Respondents' progress with respect to their undertakings. Each report shall be submitted within forty-five (45) days of the end of the month in which the report is required to Chedly C. Dumornay, Esq., U.S. Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131, or as directed in writing by the Commission Staff.

2. Beginning one hundred and twenty (120) days after the date of this Order, Respondents shall confer at least quarterly with the Commission staff to discuss their progress with respect to these undertakings. Such quarterly progress reports shall continue for nine (9) months from the date of this Order.

3. The reporting and conference deadlines set forth above may be amended or modified with agreement from the Commission Staff.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents Raymond James & Associates, Inc. and Raymond James Financial Services, Inc.'s Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Section 15(b) of the Exchange Act, and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondents Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act;

B. Respondents Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. are censured; and

C. The Commission is not imposing a penalty against Respondents at this time. However, in the event the Division of Enforcement ("Division") believes that Respondents have not complied with their undertakings as more fully described above, the Division may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider the appropriateness of a penalty; and (2) seek an order directing payment of up to the maximum civil penalty allowable under the law. In determining whether to impose a penalty, the Commission will take into consideration its traditional criteria in determining whether to assess civil penalties, including the extent to which Respondents have satisfied their undertakings and cooperated with the Commission and other regulators in their investigations. Respondents may not, by way of defense to any such petition: (1) contest the findings in this Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy  
Secretary



I.

**RESPONDENTS**

1. Respondent RJA (CRD #705) was, at all times material herein, a Florida corporation with its principal place of business at 880 Carillon Parkway, St. Petersburg, Florida 33716.
2. Respondent RJFS (CRD #6694) was, at all times material herein, a Florida corporation with its principal place of business at 880 Carillon Parkway, St. Petersburg, Florida 33716.

II.

**FINDINGS OF FACT**

3. Respondents are each in the business of effecting transactions in securities in Florida as a “dealer” within the meaning of section 517.021(6), Florida Statutes.
4. Respondents have customers located across the United States of America, including Florida.
5. Prior to February 13, 2008, Respondents sold financial instruments known as auction rate securities (“ARS”) to Florida residents.

**ARS**

6. ARS are bonds or preferred stocks that have interest rates or dividend yields that are periodically reset through an auction process, typically every seven (7), twenty-eight (28), or thirty-five (35) days.
7. ARS are usually issued with thirty (30) year maturities, but ARS maturities can range from five years to perpetuity.
8. ARS can be attractive investments to investors because ARS may offer slightly higher yields than various alternative products, including forms of cash alternative products.
9. An ARS yield is determined by the periodic auctions (commonly referred to as “Dutch” auctions) during which ARS are auctioned at par.
10. ARS can be bought or sold at par at one of these periodic Dutch auctions.
11. Under the typical procedures for an ARS auction in effect prior to February 13, 2008, an investor, including a customer of either Respondent, who wished to purchase ARS at auction, submitted a bid that included the minimum interest or dividend rate that the investor would accept.
12. ARS holders could either choose to keep their securities until the next auction or submit offers to sell their ARS.

13. An auction agent collected all of the bids and offers for a particular auction.
14. The final yield rate at which the ARS were sold was the “clearing rate” and the clearing rate applied to that particular ARS until the next auction.
15. Bids with the lowest rate and then successively higher rates were accepted until all ARS sell orders were filled.
16. The clearing rate was the lowest rate bid sufficient to cover all ARS offered for sale in the auction.
17. If there were not enough bids to cover the ARS offered for sale in an auction, then an auction would fail.
18. In a failed auction, investors who want to sell are not able to do so and such investors must hold their ARS until at least the next auction.
19. In the event of a failed auction, an ARS issuer pays the holders a maximum rate or “penalty” rate, which is either a flat rate or a rate based on a formula set forth in the ARS offering documents.
20. Penalty rates might be higher or lower than the prior clearing rate or market rates on similar products.
21. To facilitate the auction process, issuers of ARS selected one or more broker-dealers to underwrite an offering and/or manage an auction process.
22. In many instances, these broker-dealers submitted their own bids to support the ARS auctions and to prevent the auctions from failing, maintain an orderly market, or set a clearing rate.
23. Due to various market conditions in the early part of 2008, many of the broker-dealers that acted as underwriters of the ARS offerings or as lead managers for the ARS auctions stopped submitting their own bids in support of the ARS auctions.
24. As a result, by February 13, 2008, the ARS market began to experience widespread auction failures, leaving ARS investors, including some of Respondents’ customers throughout the United States of America, unable to sell their ARS holdings.
25. On February 13, 2008, through the date of this Order, the ARS market has continued to experience widespread failures, making ARS holdings illiquid.
26. Some ARS have been redeemed by their issuers since February 13, 2008. Thousands of ARS investors, however, including some of Respondents’ customers, have been unable to liquidate their ARS positions through the auction process.

27. Respondents' customers currently hold hundreds of millions of dollars in illiquid ARS that they are unable to sell through the auction process.

**Respondents' Roles in the ARS Market**

28. Respondent RJA acted as an underwriter of single-issue municipal auction rate securities ("MARS"). RJA managed the auctions of MARS it underwrote and of MARS underwritten by other broker-dealers. Additionally, RJA submitted bids in the auctions it managed to prevent them from failing, to maintain an orderly market, or to set a clearing rate.

29. Respondent RJFS did not underwrite or act as an auction manager for ARS, and did not at any time submit bids in auctions.

30. Respondents also acted as agents for their customers, on a solicited and unsolicited basis, by submitting customers' orders to purchase and sell two other ARS products: auction rate preferred securities backed by a pool of municipal bonds ("ARPS") and taxable auction rate securities, which were variable rate perpetual preferred stock issued by closed-end funds ("TARS"). As distributing or "downstream" broker-dealers for the ARPS and TARS, Respondents did not submit bids in these auctions.

**Respondents' ARS Sales to Customers**

31. In selling ARS to its customers prior to the middle of February 2008, some of Respondents' registered representatives and financial advisors made inaccurate comparisons between ARS and other investments, such as money market funds, telling customers that ARS were "cash equivalents," "the same as cash," and "highly liquid," but with a slightly higher yield. Respondents' registered representatives and financial advisors also did not accurately characterize the investment nature of ARS since ARS are highly complex securities that are very different from money market funds, as evidenced by, among other things, the dependence of ARS on successful auctions for liquidity.

32. Respondents' ARS trade confirmations, sent after customers purchased ARS, disclosed the risks that these auctions could fail and that Respondents were not obligated to ensure their success. Nevertheless, Respondents did not provide customers with adequate and complete disclosures regarding the complexity of the auction process, including failing to adequately disclose to customers that Respondent RJA managed the auctions of the MARS and that RJA routinely bid in MARS auctions to prevent a failed auction, maintain an orderly market, or set a particular clearing rate. For example, some of Respondents' registered representatives and financial advisors did not adequately disclose to customers that their ARS could become illiquid for an indeterminate period of time in the event of an auction failure.

33. The information described in Paragraphs 31 through 32 was material to Respondents' customers.

34. Respondents should have known that their registered representatives and financial advisors marketed ARS to customers as highly liquid and as an alternative to cash or money market funds without adequately disclosing that ARS are complex securities that may become illiquid.

35. In connection with the marketing of ARS, Respondents failed to adopt policies and procedures reasonably designed to ensure that its registered representatives and financial advisors recommended ARS only to customers who had stated investment objectives that were consistent with their purchase of ARS. Some of Respondents' registered representatives and financial advisors recommended ARS to customers as a liquid, short-term investment. As a result, some of Respondents' customers who needed short-term access to funds invested in ARS even though ARS had long-term maturity dates, or in the case of ARPS and TARS, no maturity dates.

### III.

#### CONCLUSIONS OF LAW

36. The Office of Financial Regulation has jurisdiction over this matter pursuant to Section 517.221, Florida Statutes.

37. By engaging in the acts and conduct set forth in paragraphs II.3 through II.35, Respondents engaged in dishonest or unethical practices in violation of Section 517.161(1)(h), Florida Statutes.

38. By engaging in the acts and conduct set forth in paragraphs II.3 through II.35, Respondents failed to reasonably supervise their agents in violation of Rule 69W-600.013(1)(h)1., Florida Administrative Code, and NASD Conduct Rule 3010.

### IV.

#### CONSENT TERMS

On the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order and a Final Order approving same, without admitting or denying the facts or conclusions herein,

#### IT IS HEREBY AGREED:

1. The Final Order approving this Order concludes the investigation by the Office of Financial Regulation and precludes any other action that the Office of Financial Regulation could commence against the Respondents under applicable Florida law on behalf of Florida as it relates to Respondents' sale of auction rate securities to Eligible Investors, as defined below.

2. This Order is entered into solely for the purpose of resolving the above-referenced multi-state investigation, and is not intended to be used for any other purpose.
3. Respondents shall cease and desist from violating the Florida Securities and Investor Protection Act and will comply with the Florida Securities and Investor Protection Act.
4. Within ten (10) days of the date on which the Final Order approving this Order is entered, Respondents shall pay the sum of Three Hundred Eighty Four Thousand Nine Hundred Thirty Three Dollars and Fifty Eight Cents (\$384,933.58) to the Office of Financial Regulation's Anti-Fraud Trust Fund, which amount constitutes Florida's proportionate share of the total state settlement amount of \$1,750,000.00. In the event another state securities regulator determines not to accept Respondents' settlement offer, the total amount of the payment to the state of Florida shall not be affected.
5. Respondents shall take certain measures with respect to current and former customers with respect to "Eligible Auction Rate Securities", as defined below in Paragraph IV.6.
6. "Eligible Auction Rate Securities". For purposes of this Order, "Eligible Auction Rate Securities" means auction rate securities purchased at Respondents on or before February 13, 2008, and that have failed at auction at least once since February 13, 2008. Notwithstanding the foregoing definition, the term "Eligible Auction Rate Securities" shall not include auction rate securities that were purchased at Respondents in accounts owned, managed or advised by or through correspondent broker-dealers or unaffiliated registered investment advisers.
7. "Eligible Investors". For purposes of this Order, "Eligible Investors," shall mean the following:
  - (1) Any investor that purchased Eligible Auction Rate Securities at Respondents on or before February 13, 2008, did not transfer such Eligible Auction Rate Securities away from Respondents prior to January 1, 2006, and held those securities on February 13, 2008.
  - (2) "Eligible Investors," for the purposes of this Order, shall not include institutional money managers.
  - (3) "Eligible Investors," for the purposes of this Order, shall not include customers who resolved their ARS claims through arbitration proceedings or negotiated settlements with Respondents.
8. Purchase Offer. Respondents shall offer to purchase, at par plus accrued and unpaid dividends/interest, from Eligible Investors their Eligible Auction Rate Securities that have failed at auction at least once since February 13, 2008 (the "Purchase Offer").



9. Notification and Buyback Procedures.

a. Respondents shall create a written notice related to the Purchase Offer (the “Notice”). The Notice shall explain the relevant terms of this Order and describe what Eligible Investors must do to accept, in whole or in part, the Purchase Offer, including how Eligible Investors may accept the Purchase Offer.

b. Initial Notice

i. Respondents shall provide the Notice to Eligible Investors who purchased Eligible Auction Rate Securities at Respondents by no later than thirty (30) days from the date of the entry of this Order.

ii. Furthermore, Respondents shall undertake their best efforts to identify and locate customers who purchased Eligible ARS at Respondents but who transferred such Eligible ARS away from Respondents prior to January 1, 2006 by no later than thirty (30) days from the date of this Order. Respondents will provide any such customers the Purchase Offer described in Section IV.8, the Notification and Buyback Procedures described in Section IV.9, and the other terms described in Sections IV.11, IV.12, and IV. 13.

c. Second Notice

With respect to each Eligible Investor that Respondents sent the Notice required by Paragraph IV.9.b above and who did not respond, Respondents shall provide a second copy of the Notice on or before 45 days before the end of Offer Period, as defined below.

d. Offer Period

i. Respondents shall keep the Purchase Offer open for seventy five (75) days after mailing the Initial Notice as required by Paragraph IV.9.b, above (“Offer Period”).

ii. Eligible Investors may accept the Purchase Offer by notifying Respondents as described in the Purchase Offer, at any time before 11:59 P.M. Eastern Time, on or before the last day of the Offer Period. For those Eligible Investors who accept the Purchase Offer within the Offer Period, Respondents shall purchase their Eligible Auction Rate Securities by no later than five (5) business days following the expiration of the Offer Period.

e. An Eligible Investor may revoke their acceptance of Respondents’ Purchase Offer at any time up until Respondents’ purchase of such Eligible Investor’s Eligible Auction Rate Securities or provide notice of their intent to purchase such Eligible Auction Rate Securities.

f. Respondents' obligation to those Eligible Investors who custodied their Eligible Auction Rate Securities away from Respondents as of the date of this Order shall be contingent on: (1) Respondents receiving reasonably satisfactory assurances from the financial institution currently holding the Eligible Investor's Eligible Auction Rate Securities that the bidding rights associated with such Eligible Auction Rate Securities will be transferred to Respondents; (2) the Eligible Investor reactivating their former account with Respondents; and (3) the transfer of the Eligible Auction Rate Securities to the Eligible Investor's former account with Respondents.

g. Respondents shall use their best efforts to identify, contact and assist any Eligible Investor who has transferred the Eligible Auction Rate Securities out of Respondents' custody in returning such Auction Rate Securities to Respondents' custody, and shall not charge such Eligible Investor any fees relating to or in connection with the return to Respondents or custodianship by Respondents of such Eligible Auction Rate Securities.

10. Customer Assistance. Within two (2) days of entry of this Order, Respondents shall establish a dedicated toll-free telephone assistance line and website to provide information and to respond to questions concerning the terms of this Order, and to provide information concerning the terms of this Order and, via an e-mail address or other reasonable means, to respond to questions concerning the terms of this Order. Respondents shall maintain the telephone assistance line for at least nine months from the date of this Order.

11. Relief for Eligible Investors Who Sold Below Par. Respondents shall use their best efforts to identify each Eligible Investor who: (i) purchased Eligible Auction Rate Securities at Respondents on or before February 13, 2008; and (ii) who sold those Eligible Auction Rate Securities below par between February 13, 2008 and the date of this Order ("Below Par Sellers"). Within 75 days of this Order, Respondents shall pay each Below Par Seller the difference between par and the price at which the Below Par Seller sold the Eligible Auction Rate Securities, plus reasonable interest thereon. Furthermore, Respondents will pay promptly the difference between par and the price at which the Below Par Seller sold the Eligible Auction Rate Securities, plus reasonable interest thereon to any Below Par Sellers identified more than 75 days after this Order.

12. Consequential Damages Arbitration Process.

a. Respondents shall consent to participate in a special arbitration process (“Arbitration”) for the exclusive purpose of arbitrating any Eligible Investor’s consequential damages claim arising from their inability to sell Eligible Auction Rate Securities. In the Arbitration, the Special Arbitration Process applicable to firms that have entered into settlements with state regulators (the “State SAP”) will be available for the exclusive purpose of arbitrating any Eligible Investor’s consequential damages claim. Respondents shall notify Eligible Investors of the terms of the Arbitration process through the Notice.

b. The Arbitration shall be conducted under the auspices of FINRA, pursuant to the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007. Respondents will pay all applicable forum and filing fees.

c. Any Eligible Investors who choose to pursue such claims in the Arbitration shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities. In the Arbitration, Respondents shall be able to defend themselves against such claims; provided, however, that Respondents shall not contest liability for the illiquidity of the underlying auction rate securities position or use as part of their defense any decision by the Eligible Investor not to borrow money from either Respondent.

d. Eligible Investors who elect to use the Arbitration provided for herein shall not be eligible for punitive damages, or for any other type of damages other than consequential damages. However, the State SAP will govern the availability of attorney’s fees.

13. Loan Interest Expense.

Respondents shall use their best efforts to identify Eligible Investors that obtained a loan through Respondents (or its affiliates) secured by Eligible Auction Rate Securities that were not successfully auctioning at the time the loan was taken and who paid more in interest on the loan than the Eligible Investor received in interest or dividends from the Eligible Auction Rate Securities during the time the loan was outstanding (“Negative Carry”). If the Eligible Investor can provide Respondents documentation evidencing the amount of Negative Carry, Respondents, on or before 75 days from the date of this Order, will reimburse the Eligible Investor the amount of Negative Carry actually paid.

14. Best Efforts

Respondents will use their best efforts to provide the institutional money managers, within nine (9) months of the date of this Order, opportunities to liquidate their Eligible Auction Rate Securities including, but not limited to, facilitating issuer redemptions, restructurings, and through other reasonable means. Although Respondents are required to use their best efforts to liquidate Eligible Auction Rate Securities owned by the institutional money managers, the Respondents are not obligated to purchase the securities.

15. Reports and Meetings

a. Respondents shall submit a bi-monthly written report detailing Respondents' progress with respect to the provisions of this Order within 45 days of the end of each month in which a report is required, beginning with a report covering the month ended after the date of this Order and continuing through and including a report covering the month ended nine months from the date of this order. This report shall be submitted to a representative specified by the North American Securities Administrators Association ("NASAA").

b. Beginning 120 days after the date of this order, Respondents shall confer at least quarterly with the representative specified by NASAA to discuss Respondents' progress with respect to the provisions of this Order. Such quarterly conferences shall continue for nine months from the date of this Order.

c. The reporting and conference deadlines set forth above may be amended or modified with written permission from the representative specified by NASAA.

16. This Order is not intended to indicate that Respondents or any of its affiliates or current or former employees shall be subject to any disqualifications contained in the federal securities law, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' securities laws including any disqualifications from relying upon the registration exemptions or safe harbor provisions. In addition, this Order is not intended to form the basis for any such disqualifications.

17. Except in an action by the Office of Financial Regulation to enforce the obligations of Respondents in this Order, this Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission or liability of Respondents in any civil, criminal, arbitration or administrative proceeding in any court, administrative agency or tribunal. For any person or entity not a party to this Order, this Order does not limit or create any private rights or remedies against Respondents including, without limitation with respect to the use of any emails or other documents of Respondents or of others concerning the marketing and/or sales of auction rate securities, limit or create liability of Respondents, or limit or create defenses of Respondents to any claims.

18. This Order is not intended to disqualify Respondents or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state securities law and this Order is not intended to form the basis for any disqualification.
19. Respondents shall pay Two Hundred Fifty Thousand Dollars (\$250,000.00) to Florida based on fees and expenses incurred by Florida’s Office of Financial Regulation prior to the date of this Order in connection with an investigation related to Respondents’ sale of auction rate securities.
20. Respondents shall pay Twenty Five Thousand Dollars (\$25,000.00) to the North American Securities Administrators Association as consideration for financial assistance provided by NASAA in connection with the multi-state investigation.

RESPONDENT, RAYMOND JAMES & ASSOCIATES, INC.

/s/ Dennis W. Zank  
DENNIS W. ZANK

6/24/11  
DATE

RESPONDENT, RAYMOND JAMES FINANCIAL SERVICES, INC.

/s/ Donald K. Runkle  
DONALD K. RUNKLE

6/24/11  
DATE

/s/ Christian R. Bartholomew  
CHRISTIAN R. BARTHOLOMEW  
ATTORNEY FOR RESPONDENTS

6/27/11  
DATE

DIVISION OF SECURITIES

/s/ Franklin L. Widmann  
FRANKLIN L. WIDMANN, DIRECTOR  
DIVISION OF SECURITIES  
OFFICE OF FINANCIAL REGULATION

6/29/11  
DATE

**CONSENT TO ENTRY OF FINAL ORDER BY RAYMOND JAMES & ASSOCIATES, INC. AND RAYMOND JAMES FINANCIAL SERVICES, INC.**

Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. (together "Raymond James") hereby acknowledges that it has been served with a copy of this Administrative Consent Agreement to Final Order and proposed Final Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Raymond James admits the jurisdiction of the Office of Financial Regulation, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of the proposed Final Order, a copy of which is attached as Exhibit "A," by the Office of Financial Regulation as settlement of the issues contained in this Order.

Respondents shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary payment that Respondents shall pay pursuant to this Administrative Consent Agreement to Final Order as approved by the proposed Final Order.

Raymond James states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Administrative Consent Agreement to Final Order and that it has entered into this Order voluntarily.

Dennis W. Zank represents that he is President of Raymond James & Associates, Inc., and that, as such, has been authorized by Raymond James & Associates, Inc., to enter into this Order for and on behalf of Raymond James & Associates, Inc.

Donald K. Runkle represents that he is Senior Vice President, Chief Compliance Officer, of Raymond James Financial Services, Inc., and that, as such, has been authorized by Raymond James Financial Services, Inc., to enter into this Order for and on behalf of Raymond James Financial Services, Inc.

DATED this 24th day of June, 2011.

**RAYMOND JAMES & ASSOCIATES, INC.**

By: /s/ Dennis W. Zank

Dennis W. Zank

Title: President

STATE OF Florida )  
County of Pinellas )

SUBSCRIBED AND SWORN TO before me this 24th day of June, 2011.

/s/ Deborah A. Hawke

Notary Public

My commission expires:

8/20/15

**RAYMOND JAMES FINANCIAL SERVICES, INC.**

By: /s/ Donald K. Runkle

Donald K. Runkle

Title: Sr. VP, Chief Compliance Officer

STATE OF Florida )  
County of Pinellas )

SUBSCRIBED AND SWORN TO before me this 24th day of June, 2011.

/s/ Deborah A. Hawke

Notary Public

My commission expires:

8/20/15

[Texas State Securities Board]  
letterhead

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IN THE MATTER OF  
THE DEALER  
REGISTRATIONS OF  
RAYMOND JAMES & ASSOCIATES,  
INC. AND  
RAYMOND JAMES FINANCIAL  
SERVICES, INC.

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Order No. IC11-FIN-08

TO: Dennis W. Zank  
Raymond James & Associates, Inc. (CRD No. 705)  
880 Carillon Parkway  
St. Petersburg, Florida 33716

Donald K. Runkle  
Raymond James Financial Services, Inc. (CRD No. 6694)  
880 Carillon Parkway  
St. Petersburg, Florida 33716

**CONSENT ORDER**

WHEREAS, Raymond James & Associates, Inc. ("Respondent RJA") and Raymond James Financial Services, Inc. ("Respondent RJFS") (collectively, "Respondents") are broker-dealers registered in the state of Texas; and

WHEREAS, Respondents' activities regarding the sale of auction rate securities have been the subject of coordinated investigations conducted by a multi-state task force; and

WHEREAS, Respondents have cooperated fully with regulators conducting the investigations by providing documentary evidence and other materials and by providing regulators with access to information relevant to their investigations; and



WHEREAS, on June 29, 2011, Respondents and the multi-state task force reached an agreement to resolve the investigations relating to Respondents' sale of ARS to certain customers; and

WHEREAS, Respondents agree, among other things, to purchase certain auction rate securities from customers and to make certain payments; and

WHEREAS, Respondents elect to waive permanently any right to a hearing and appeal under The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2010) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2008 & Supp. 2010) with respect to this Consent Order (the "Order"); and

WHEREAS, Respondents admit the jurisdiction of the Texas State Securities Board and consent to the entry of this Order by the Securities Commissioner of Texas ("Securities Commissioner"); and

WHEREAS, Respondents have voluntarily agreed to purchase ARS from certain customers, as described in Section IV below, and to use best efforts to provide liquidity solutions for certain other customers; and

WHEREAS, Respondents neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order.

NOW, THEREFORE, the Securities Commissioner, as administrator of the Texas Securities Act, hereby enters this Order:

**I.**

**RESPONDENTS**

1. Respondent RJA was, at all times material herein, a Florida corporation with its principal place of business at 880 Carillon Parkway, St. Petersburg, Florida 33716.
2. Respondent RJFS was, at all times material herein, a Florida corporation with its principal place of business at 880 Carillon Parkway, St. Petersburg, Florida 33716.

**II.**

**FINDINGS OF FACT**

3. Respondents are each in the business of effecting transactions in securities in Texas as a "dealer" within the meaning of Section 4.C of the Texas Securities Act.
4. Respondents have customers located across the United States of America, including Texas.
5. Prior to February 13, 2008, Respondents sold financial instruments known as auction rate securities ("ARS") to Texas residents.

## ARS

6. ARS are bonds or preferred stocks that have interest rates or dividend yields that are periodically reset through an auction process, typically every seven (7), twenty-eight (28), or thirty-five (35) days.
7. ARS are usually issued with thirty (30) year maturities, but ARS maturities can range from five years to perpetuity.
8. ARS can be attractive investments to investors because ARS may offer slightly higher yields than various alternative products, including forms of cash alternative products.
9. An ARS yield is determined by the periodic auctions (commonly referred to as "Dutch" auctions) during which ARS are auctioned at par.
10. ARS can be bought or sold at par at one of these periodic Dutch auctions.
11. Under the typical procedures for an ARS auction in effect prior to February 13, 2008, an investor, including a customer of either Respondent, who wished to purchase ARS at auction, submitted a bid that included the minimum interest or dividend rate that the investor would accept.
12. ARS holders could either choose to keep their securities until the next auction or submit offers to sell their ARS.
13. An auction agent collected all of the bids and offers for a particular auction.
14. The final yield rate at which the ARS were sold was the "clearing rate" and the clearing rate applied to that particular ARS until the next auction.
15. Bids with the lowest rate and then successively higher rates were accepted until all ARS sell orders were filled.
16. The clearing rate was the lowest rate bid sufficient to cover all ARS offered for sale in the auction.
17. If there were not enough bids to cover the ARS offered for sale in an auction, then an auction would fail.
18. In a failed auction, investors who want to sell are not able to do so and such investors must hold their ARS until at least the next auction.
19. In the event of a failed auction, an ARS issuer pays the holders a maximum rate or "penalty" rate, which is either a flat rate or a rate based on a formula set forth in the ARS offering documents.

20. Penalty rates might be higher or lower than the prior clearing rate or market rates on similar products.
21. To facilitate the auction process, issuers of ARS selected one or more broker-dealers to underwrite an offering and/or manage an auction process.
22. In many instances, these broker-dealers submitted their own bids to support the ARS auctions and to prevent the auctions from failing, maintain an orderly market, or set a clearing rate.
23. Due to various market conditions in the early part of 2008, many of the broker-dealers that acted as underwriters of the ARS offerings or as lead managers for the ARS auctions stopped submitting their own bids in support of the ARS auctions.
24. As a result, by February 13, 2008, the ARS market began to experience widespread auction failures, leaving ARS investors, including some of Respondents' customers throughout the United States of America, unable to sell their ARS holdings.
25. On February 13, 2008, through the date of this Order, the ARS market has continued to experience widespread failures, making ARS holdings illiquid.
26. Some ARS have been redeemed by their issuers since February 13, 2008. Thousands of ARS investors, however, including some of Respondents' customers, have been unable to liquidate their ARS positions through the auction process.
27. Respondents' customers currently hold hundreds of millions of dollars in illiquid ARS that they are unable to sell through the auction process.

**Respondents' Roles in the ARS Market**

28. Respondent RJA acted as an underwriter of single-issue municipal auction rate securities ("MARS"). RJA managed the auctions of MARS it underwrote and of MARS underwritten by other broker-dealers. Additionally, RJA submitted bids in the auctions it managed to prevent them from failing, to maintain an orderly market, or to set a clearing rate.
29. Respondent RJFS did not underwrite or act as an auction manager for ARS, and did not at any time submit bids in auctions.

30. Respondents also acted as agents for their customers, on a solicited and unsolicited basis, by submitting customers' orders to purchase and sell two other ARS products: auction rate preferred securities backed by a pool of municipal bonds ("ARPS") and taxable auction rate securities, which were variable rate perpetual preferred stock issued by closed-end funds ("TARS"). As distributing or "downstream" broker-dealers for the ARPS and TARS, Respondents did not submit bids in these auctions.

**Respondents' ARS Sales to Customers**

31. In selling ARS to its customers prior to the middle of February 2008, some of Respondents' registered representatives and financial advisors made inaccurate comparisons between ARS and other investments, such as money market funds, telling customers that ARS were "cash equivalents," "the same as cash," and "highly liquid," but with a slightly higher yield. Respondents' registered representatives and financial advisors also did not accurately characterize the investment nature of ARS since ARS are highly complex securities that are very different from money market funds, as evidenced by, among other things, the dependence of ARS on successful auctions for liquidity.

32. Respondents' ARS trade confirmations, sent after customers purchased ARS, disclosed the risks that these auctions could fail and that Respondents were not obligated to ensure their success. Nevertheless, Respondents did not provide customers with adequate and complete disclosures regarding the complexity of the auction process, including failing to adequately disclose to customers that Respondent RJA managed the auctions of the MARS and that RJA routinely bid in MARS auctions to prevent a failed auction, maintain an orderly market, or set a particular clearing rate. For example, some of Respondents' registered representatives and financial advisors did not adequately disclose to customers that their ARS could become illiquid for an indeterminate period of time in the event of an auction failure.

33. The information described in Paragraphs 31 through 32 was material to Respondents' customers.

34. Respondents should have known that their registered representatives and financial advisors marketed ARS to customers as highly liquid and as an alternative to cash or money market funds without adequately disclosing that ARS are complex securities that may become illiquid.

35. In connection with the marketing of ARS, Respondents failed to adopt policies and procedures reasonably designed to ensure that its registered representatives and financial advisors recommended ARS only to customers who had stated investment objectives that were consistent with their purchase of ARS. Some of Respondents' registered representatives and financial advisors recommended ARS to customers as a liquid, short-term investment. As a result, some of Respondents' customers who needed short-term access to funds invested in ARS even though ARS had long-term maturity dates, or in the case of ARPS and TARS, no maturity dates.

**III.**

**CONCLUSIONS OF LAW**

36. The Texas State Securities Board has jurisdiction over this matter pursuant to Sections 14, 23.A, 23-1, and 28 of Texas Securities Act.
37. By engaging in the acts and conduct set forth in paragraphs II.3 through II.35, Respondents engaged in inequitable practices in the sale of securities.
38. By engaging in the acts and conduct set forth in paragraphs II.3 through II.35, Respondents failed to reasonably supervise their agents in violation of §115.10(b) of the Rules and Regulations of the Texas State Securities Board.

**IV.**

**ORDER**

On the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order, without admitting or denying the facts or conclusions herein,

IT IS HEREBY ORDERED:

1. This Order concludes the investigation by the Texas State Securities Board and precludes any other action that the Texas State Securities Board could commence against the Respondents under applicable Texas law on behalf of Texas as it relates to Respondents' sale of auction rate securities to Eligible Investors, as defined below.
2. This Order is entered into solely for the purpose of resolving the above-referenced multi-state investigation, and is not intended to be used for any other purpose.

3. Respondents shall cease and desist from violating the Texas State Securities Act and will comply with the Texas State Securities Act.
4. On or before ten (10) days from the date of this Order , Respondents shall pay the sum of Two Hundred Ninety Three Thousand Five Hundred Ninety Five Seventy Seven Cents (\$293,595.77) to the general fund of the State of Texas which amount constitutes Texas' proportionate share of the total state settlement amount of \$1,750,000.00. In the event another state securities regulator determines not to accept Respondents' settlement offer, the total amount of the payment to the state of Texas shall not be affected.
5. Respondents shall take certain measures with respect to current and former customers with respect to "Eligible Auction Rate Securities", as defined below in Paragraph IV.6.
6. "Eligible Auction Rate Securities". For purposes of this Order, "Eligible Auction Rate Securities" means auction rate securities purchased at Respondents on or before February 13, 2008, and that have failed at auction at least once since February 13, 2008. Notwithstanding the foregoing definition, the term "Eligible Auction Rate Securities" shall not include auction rate securities that were purchased at Respondents in accounts owned, managed or advised by or through correspondent broker-dealers or unaffiliated registered investment advisers.
7. "Eligible Investors". For purposes of this Order, "Eligible Investors," shall mean the following:
  - (1) Any investor that purchased Eligible Auction Rate Securities at Respondents on or before February 13, 2008, did not transfer such Eligible Auction Rate Securities away from Respondents prior to January 1, 2006, and held those securities on February 13, 2008.
  - (2) "Eligible Investors," for the purposes of this Order, shall not include institutional money managers.
  - (3) "Eligible Investors," for the purposes of this Order, shall not include customers who resolved their ARS claims through arbitration proceedings or negotiated settlements with Respondents.
8. Purchase Offer. Respondents shall offer to purchase, at par plus accrued and unpaid dividends/interest, from Eligible Investors their Eligible Auction Rate Securities that have failed at auction at least once since February 13, 2008 (the "Purchase Offer").

9. Notification and Buyback Procedures.

a. Respondents shall create a written notice related to the Purchase Offer (the “Notice”). The Notice shall explain the relevant terms of this Order and describe what Eligible Investors must do to accept, in whole or in part, the Purchase Offer, including how Eligible Investors may accept the Purchase Offer.

b. Initial Notice

i. Respondents shall provide the Notice to Eligible Investors who purchased Eligible Auction Rate Securities at Respondents by no later than thirty (30) days from the date of the entry of this Order.

ii. Furthermore, Respondents shall undertake their best efforts to identify and locate customers who purchased Eligible ARS at Respondents but who transferred such Eligible ARS away from Respondents prior to January 1, 2006 by no later than thirty (30) days from the date of this Order. Respondents will provide any such customers the Purchase Offer described in Section IV.8, the Notification and Buyback Procedures described in Section IV.9, and the other terms described in Sections IV.11, IV.12, and IV. 13.

c. Second Notice

With respect to each Eligible Investor that Respondents sent the Notice required by Paragraph IV.9.b above and who did not respond, Respondents shall provide a second copy of the Notice on or before 45 days before the end of the Offer Period, as defined below.

d. Offer Period

i. Respondents shall keep the Purchase Offer open for seventy five (75) days after mailing the Initial Notice as required by Paragraph IV.9.b, above (“Offer Period”).

ii. Eligible Investors may accept the Purchase Offer by notifying Respondents as described in the Purchase Offer, at any time before 11:59 P.M. Eastern Time, on or before the last day of the Offer Period. For those Eligible Investors who accept the Purchase Offer within the Offer Period, Respondents shall purchase their Eligible Auction Rate Securities by no later than five (5) business days following the expiration of the Offer Period.

e. An Eligible Investor may revoke their acceptance of Respondents’ Purchase Offer at any time up until Respondents’ purchase of such Eligible Investor’s Eligible Auction Rate Securities or provide notice of their intent to purchase such Eligible Auction Rate Securities.

f. Respondents' obligation to those Eligible Investors who custodied their Eligible Auction Rate Securities away from Respondents as of the date of this Order shall be contingent on: (1) Respondents receiving reasonably satisfactory assurances from the financial institution currently holding the Eligible Investor's Eligible Auction Rate Securities that the bidding rights associated with such Eligible Auction Rate Securities will be transferred to Respondents; (2) the Eligible Investor reactivating their former account with Respondents; and (3) the transfer of the Eligible Auction Rate Securities to the Eligible Investor's former account with Respondents.

g. Respondents shall use their best efforts to identify, contact and assist any Eligible Investor who has transferred the Eligible Auction Rate Securities out of Respondents' custody in returning such Auction Rate Securities to Respondents' custody, and shall not charge such Eligible Investor any fees relating to or in connection with the return to Respondents or custodianship by Respondents of such Eligible Auction Rate Securities.

10. Customer Assistance. Within two (2) days of entry of this Order, Respondents shall establish a dedicated toll-free telephone assistance line and website to provide information and to respond to questions concerning the terms of this Order, and to provide information concerning the terms of this Order and, via an e-mail address or other reasonable means, to respond to questions concerning the terms of this Order. Respondents shall maintain the telephone assistance line for at least nine months from the date of this Order.

11. Relief for Eligible Investors Who Sold Below Par. Respondents shall use their best efforts to identify each Eligible Investor who: (i) purchased Eligible Auction Rate Securities at Respondents on or before February 13, 2008; and (ii) who sold those Eligible Auction Rate Securities below par between February 13, 2008 and the date of this Order ("Below Par Sellers"). Within 75 days of this Order, Respondents shall pay each Below Par Seller the difference between par and the price at which the Below Par Seller sold the Eligible Auction Rate Securities, plus reasonable interest thereon. Furthermore, Respondents will pay promptly the difference between par and the price at which the Below Par Seller sold the Eligible Auction Rate Securities, plus reasonable interest thereon to any Below Par Sellers identified more than 75 days after this Order.



12. Consequential Damages Arbitration Process.

a. Respondents shall consent to participate in a special arbitration process ("Arbitration") for the exclusive purpose of arbitrating any Eligible Investor's consequential damages claim arising from their inability to sell Eligible Auction Rate Securities. In the Arbitration, the Special Arbitration Process applicable to firms that have entered into settlements with state regulators (the "State SAP") will be available for the exclusive purpose of arbitrating any Eligible Investor's consequential damages claim. Respondents shall notify Eligible Investors of the terms of the Arbitration process through the Notice.

b. The Arbitration shall be conducted under the auspices of FINRA, pursuant to the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007. Respondents will pay all applicable forum and filing fees.

c. Any Eligible Investors who choose to pursue such claims in the Arbitration shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities. In the Arbitration, Respondents shall be able to defend themselves against such claims; provided, however, that Respondents shall not contest liability for the illiquidity of the underlying auction rate securities position or use as part of their defense any decision by the Eligible Investor not to borrow money from either Respondent.

d. Eligible Investors who elect to use the Arbitration provided for herein shall not be eligible for punitive damages, or for any other type of damages other than consequential damages. However, the State SAP will govern the availability of attorney's fees.

13. Loan Interest Expense.

Respondents shall use their best efforts to identify Eligible Investors that obtained a loan through Respondents (or its affiliates) secured by Eligible Auction Rate Securities that were not successfully auctioning at the time the loan was taken and who paid more in interest on the loan than the Eligible Investor received in interest or dividends from the Eligible Auction Rate Securities during the time the loan was outstanding ("Negative Carry"). If the Eligible Investor can provide Respondents documentation evidencing the amount of Negative Carry, Respondents, on or before 75 days from the date of this Order, will reimburse the Eligible Investor the amount of Negative Carry actually paid.

14. Best Efforts

Respondents will use their best efforts to provide the institutional money managers, within nine (9) months of the date of this Order, opportunities to liquidate their Eligible Auction Rate Securities including, but not limited to, facilitating issuer redemptions, restructurings, and through other reasonable means. Although Respondents are required to use their best efforts to liquidate Eligible Auction Rate Securities owned by the institutional money managers, the Respondents are not obligated to purchase the securities.

15. Reports and Mailings

a. Respondents shall submit a bi-monthly written report detailing Respondents' progress with respect to the provisions of this Order within 45 days of the end of each month in which a report is required, beginning with a report covering the month ended after the date of this Order and continuing through and including a report covering the month ended nine months from the date of this order. This report shall be submitted to a representative specified by North American Securities Administrators Association ("NASAA").

b. Beginning 120 days after the date of this order, Respondents shall confer at least quarterly with the representative specified by NASAA to discuss Respondents' progress with respect to the provisions of this Order. Such quarterly conferences shall continue for nine months from the date of this Order.

c. The reporting and conference deadlines set forth above may be amended or modified with written permission from the representative specified by NASAA.

16. This Order is not intended to indicate that Respondents or any of its affiliates or current or former employees shall be subject to any disqualifications contained in the federal securities law, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' securities laws including any disqualifications from relying upon the registration exemptions or safe harbor provisions. In addition, this Order is not intended to form the basis for any such disqualifications.

17. Except in an action by Texas to enforce the obligations of Respondents in this Order, this Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission or liability of Respondents in any civil, criminal, arbitration or administrative proceeding in any court, administrative agency or tribunal. For any person or entity not a party to this Order, this Order does not limit or create any private rights or remedies against Respondents including, without limitation with respect to the use of any emails or other documents of Respondents or of others concerning the marketing and/or sales of auction rate securities, limit or create liability of Respondents, or limit or create defenses of Respondents to any claims.

18. This Order is not intended to disqualify Respondents or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state securities law and this Order is not intended to form the basis for any disqualification.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 29th day of June, 2011.

/s/ Benette L. Zivley  
BENETTE L. ZIVLEY  
Securities Commissioner

Approved as to Form:

/s/ Ronak V. Patel

/s/ Christian Bartholomew

\_\_\_\_\_  
Ronak V. Patel  
Director  
Inspections and Compliance Division

\_\_\_\_\_  
Christian Bartholomew  
Attorney for Respondents

**CONSENT TO ENTRY OF CONSENT ORDER BY RAYMOND JAMES & ASSOCIATES, INC. AND RAYMOND JAMES FINANCIAL SERVICES, INC.**

Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. (together "Raymond James") hereby acknowledges that it has been served with a copy of this Consent Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Raymond James admits the jurisdiction of the Texas State Securities Board, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Texas State Securities Board as settlement of the issues contained in this Order.

Respondents shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary payment that Respondents shall pay pursuant to this Order.

Raymond James states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Dennis W. Zank represents that he is President of Raymond James & Associates, Inc. and that, as such, has been authorized by Raymond James & Associates, Inc. to enter into this Order for and on behalf of Raymond James & Associates, Inc.

Donald K. Runkle represents that he is Senior Vice President, Chief Compliance Officer, of Raymond James Financial Services, Inc. and that, as such, has been authorized by Raymond James Financial Services, Inc. to enter into this Order for and on behalf of Raymond James Financial Services, Inc.

DATED this 13th day of June, 2011.

**RAYMOND JAMES & ASSOCIATES, INC.**

By: /s/ Dennis W. Zank  
Dennis W. Zank

Title: President

STATE OF FLORIDA                     )  
  )  
County of PINELLAS                 )

SUBSCRIBED AND SWORN TO before me this 13th day of  
June, 2011.

/s/ Deborah A. Hawke

-----  
Notary Public

My commission expires:

8/20/2011 -----

**RAYMOND JAMES FINANCIAL SERVICES, INC.**

By: /s/ Donald K. Runkle  
Donald K. Runkle

Title: Sr. VP, Chief Compliance Officer

STATE OF FLORIDA                     )  
  )  
County of PINELLAS                 )

SUBSCRIBED AND SWORN TO before me this 7th day of  
June, 2011.

/s/ Deborah A. Hawke

-----  
Notary Public

My commission expires:

8/20/2011 -----

**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,				
	2011	2010	2010	2009	2008	2007	2006
<b>Earnings:</b>							
Pre-tax income excluding noncontrolling interests	\$ 335,418	\$ 256,555	\$ 361,908	\$ 248,774	\$ 386,854	\$ 392,224	\$ 342,066
Fixed charges	62,994	61,448	81,250	75,369	409,300	514,543	309,759
Less: preferred stock dividends	-	-	-	-	-	-	-
<b>Earnings</b>	<b>\$ 398,412</b>	<b>\$ 318,003</b>	<b>\$ 443,158</b>	<b>\$ 324,143</b>	<b>\$ 796,154</b>	<b>\$ 906,767</b>	<b>\$ 651,825</b>
<b>Fixed charges:</b>							
Interest expense	\$ 48,710	\$ 47,274	\$ 62,564	\$ 56,921	\$ 392,229	\$ 499,664	\$ 296,670
Estimated interest portion within rental expense	13,978	13,959	18,399	18,416	17,071	14,879	13,089
Amortization of debt issuance cost	306	215	287	32	-	-	-
Preferred stock dividends	-	-	-	-	-	-	-
<b>Total fixed charges</b>	<b>\$ 62,994</b>	<b>\$ 61,448</b>	<b>\$ 81,250</b>	<b>\$ 75,369</b>	<b>\$ 409,300</b>	<b>\$ 514,543</b>	<b>\$ 309,759</b>
<b>Ratio of earnings to fixed charges and preferred stock dividends</b>	<b>6.32</b>	<b>5.18</b>	<b>5.45</b>	<b>4.30</b>	<b>1.95</b>	<b>1.76</b>	<b>2.10</b>

We calculated our ratio of earnings to fixed charges and preferred stock dividends by adding pre-tax income excluding noncontrolling interests, plus fixed charges minus preferred stock dividends and dividing that sum by our fixed charges. Our fixed charges for this ratio consist of interest expense, the portion of our rental expense deemed to represent interest (calculated as one third of rental expense), amortization of debt issuance costs and preferred stock dividends.

**CERTIFICATIONS**

I, Paul C. Reilly, certify that:

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

Date: August 9, 2011

/s/ PAUL C. REILLY  
Paul C. Reilly  
Chief Executive Officer

**CERTIFICATIONS**

I, Jeffrey P. Julien, certify that:

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

Date: August 9, 2011

/s/ JEFFREY P. JULIEN

Jeffrey P. Julien  
Executive Vice President – Finance  
and Chief Financial Officer



**CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND 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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our 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.

/s/ PAUL C. REILLY  
Paul C. Reilly  
Chief Executive Officer  
August 9, 2011

/s/ JEFFREY P. JULIEN  
Jeffrey P. Julien  
Chief Financial Officer  
August 9, 2011