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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

VF 12-3-02

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE
Information Required of Brokers and Dealers
Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

SEC FILE NO.
8-10999

REPORT FOR THE PERIOD BEGINNING 09/29/01 AND ENDING 09/27/02
MM/DD/YY MM/DD/YY *rev 12/0/01*

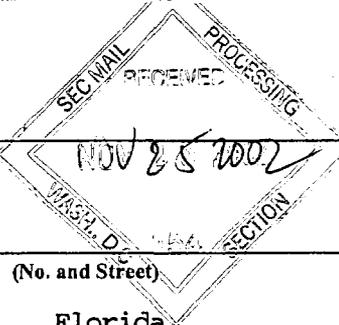
A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Raymond James & Associates, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:
(Do not use P.O. Box No.)

880 Carillon Parkway



Official Use Only
FIRM ID. NO.

St. Petersburg

(City)

Florida

(State)

33716

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Richard B. Franz, II

727-567-1000

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
(Name -- if individual, state last, first, middle name)

KPMG, LLP

100 North Tampa Street Suite 2400 Tampa
(ADDRESS) Number and Street City

Florida
State

33602
Zip Code

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

FOR OFFICIAL USE ONLY	DEC 0 2002
	THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

FW

12-9

RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

FINANCIAL REPORT

SEPTEMBER 27, 2002

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- E. Supplementary Report of Independent Auditors on Internal Control Structure

RAYMOND JAMESTM

November 15, 2002

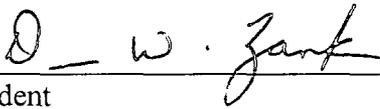
Gentlemen:

I, the undersigned, an officer of Raymond James & Associates, Inc., have caused an audit to be made in accordance with the prescribed regulations and have arranged for the preparation of the Consolidated Financial Statements and supplementary schedules.

Pursuant to Rule 418.15 I have made available to our members and allied members, the Consolidated Financial Statements and Computation of Net Capital for the fiscal year ended September 27, 2002.

OATH OR AFFIRMATION

I, Dennis W. Zank, an officer of Raymond James & Associates, Inc., affirm to the best of my knowledge and belief, that the accompanying financial statements and supporting schedules pertaining to the firm of Raymond James & Associates, Inc., as of September 27, 2002, are true and correct. I further affirm that neither the company nor any principal officer nor director has any proprietary interest in any account classified solely as that of a customer.



President

State of Florida
County of Pinellas

Before me personally appeared Dennis W. Zank, to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to me and before me, that Dennis W. Zank executed said instrument for the purposes therein expressed.

WITNESS, my hand and official seal this 15th day of November, A.D., 2002.



Notary Public
State of Florida at Large

STEPHANIE MAILHOT
Notary Public, State of Florida
My comm. exp. April 5, 2005
Comm. No. DD 151749

My commission expires: _____



P.O. Box 1439
Tampa, FL 33601-1439

Independent Auditors' Report

The Board of Directors and Stockholder
Raymond James & Associates, Inc. and Subsidiaries:

We have audited the accompanying consolidated statement of financial condition of Raymond James & Associates, Inc. and Subsidiaries (a wholly owned subsidiary of Raymond James Financial, Inc.) (the Company) as of September 27, 2002, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raymond James & Associates, Inc. and Subsidiaries (a wholly owned subsidiary of Raymond James Financial, Inc.) at September 27, 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in Schedule I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

KPMG LLP

November 15, 2002
Tampa, Florida



RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES

(a wholly-owned subsidiary of Raymond James Financial, Inc.)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

September 27, 2002

(in thousands)

(continued on next page)

ASSETS

Cash and cash equivalents	\$	157,393
Assets segregated pursuant to Federal Regulations:		
Cash and cash equivalents		132
Securities purchased under agreements to resell		2,085,795
Receivables:		
Brokerage clients, net		935,494
Stock borrowed		776,386
Brokers, dealers and clearing organizations		73,141
Other		58,169
Deposits with clearing organizations		28,196
Securities owned		229,408
Deferred income taxes, net		43,355
Property and equipment, net		68,804
Other assets		<u>8,542</u>
	\$	<u>4,464,815</u>

See accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

September 27, 2002

(in thousands, except share and par amounts)

(continued from previous page)

LIABILITIES AND STOCKHOLDER'S EQUITY

Loans payable	\$ 37,153
Payables:	
Brokerage clients	2,787,315
Stock loaned	834,379
Brokers, dealers and clearing organizations	28,379
Payable to affiliates	35,272
Income taxes payable to parent	44,182
Securities sold, not yet purchased	55,983
Accrued compensation and commissions	117,534
Accrued expenses and other liabilities	<u>52,954</u>
	<u>3,993,151</u>
Commitments and contingencies (Note 12)	
Stockholder's equity:	
5% non-voting cumulative preferred stock - convertible into one share of common stock; \$2 par value; authorized 200,000 shares; issued and outstanding 100,000 shares	200
Common stock - \$.10 par value; authorized 4,000,000 shares; issued and outstanding 1,083,500 shares	108
Additional paid-in capital	102,787
Retained earnings	<u>368,569</u>
	<u>471,664</u>
	<u>\$ 4,464,815</u>

See accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

CONSOLIDATED STATEMENT OF INCOME
For the Year Ended September 27, 2002
(in thousands)

Revenues:		
Securities commissions and fees	\$	323,692
Insurance and annuity commissions		40,150
Investment banking:		
Commissions		45,727
Fees		50,875
Interest		112,779
Net trading profits		22,618
Clearing charges to affiliates and correspondents		67,545
Financial service fees		46,434
Investment advisory fees		39,544
Other		<u>23,979</u>
		<u>773,343</u>
Expenses:		
Compensation, commissions and benefits		442,124
Communications and information processing		44,226
Clearance and floor brokerage		12,955
Occupancy and equipment		47,079
Interest		57,056
Business development		24,446
Other		<u>42,827</u>
		<u>670,713</u>
Income before provision for income taxes		102,630
Provision for income taxes		<u>38,549</u>
Net income	\$	<u>64,081</u>

See accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES

(a wholly-owned subsidiary of Raymond James Financial, Inc.)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

(in thousands)

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at September 28, 2001	\$ 200	\$ 108	\$ 102,787	\$ 362,971	\$ 466,066
Net income	-	-	-	64,081	64,081
Cash dividends to parent:					
Common stock	-	-	-	(58,473)	(58,473)
Preferred stock	-	-	-	(10)	(10)
Balances at September 27, 2002	<u>\$ 200</u>	<u>\$ 108</u>	<u>\$ 102,787</u>	<u>\$ 368,569</u>	<u>\$ 471,664</u>

See accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 27, 2002

(in thousands)

(continued on next page)

Cash flows from operating activities:	
Net income	\$ 64,081
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	17,474
Deferred income taxes, net	4,472
Realized gain on sale of property and equipment	(34)
Decrease (increase) in assets:	
Assets segregated pursuant to Federal Regulations:	
Cash and cash equivalents	74,294
Securities purchased under agreements to resell	(414,637)
Receivables:	
Stock borrowed	475,168
Brokers, dealers and clearing organizations, net	(43,736)
Other	25,090
Deposits with clearing organizations	(6,127)
Securities owned, net	18,597
Other assets	1,517
Increase (decrease) in liabilities:	
Payables:	
Brokerage clients, net	283,701
Stock loaned	(430,710)
Payable to affiliates	24,576
Income taxes payable to parent	(4,196)
Accrued compensation and commissions	10,019
Accrued expenses and other liabilities	<u>9,510</u>
 Net cash provided by operating activities	 <u>109,059</u>

See accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 27, 2002

(in thousands)

(continued from previous page)

Cash flows from investing activities:	
Additions to property and equipment	(13,469)
Proceeds from sale of property and equipment	<u>63</u>
Net cash used in investing activities	<u>(13,406)</u>
Cash flows from financing activities:	
Payments on notes payable	(727)
Cash dividends to parent	<u>(58,483)</u>
Net cash used in financing activities	<u>(59,210)</u>
Net increase in cash and cash equivalents	36,443
Cash and cash equivalents at beginning of year	<u>120,950</u>
Cash and cash equivalents at end of year	<u>\$ 157,393</u>
Supplemental disclosures of cash flow information:	
Cash paid for interest	<u>\$ 59,540</u>
Cash paid to parent for income taxes	<u>\$ 38,274</u>

See accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES & ASSOCIATES, INC. AND SUBSIDIARIES

(a wholly-owned subsidiary of Raymond James Financial, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS:

Raymond James & Associates, Inc. (the "Company") is a Florida corporation and is a wholly-owned subsidiary of Raymond James Financial, Inc. ("RJF" or the "Parent"). The Company is a full service broker-dealer engaged in most aspects of securities distribution and investment banking. The Company also offers financial planning services for individuals and provides clearing services for Raymond James Financial Services, Inc. ("RJFS", a wholly-owned subsidiary of RJF), other affiliated entities, and several unaffiliated broker-dealers. The Company is a member of the New York Stock Exchange, American Stock Exchange, Philadelphia Stock Exchange, Boston Stock Exchange, Chicago Board Options Exchange, New York Futures Exchange, Pacific Exchange and Chicago Stock Exchange. It is also a member of the Securities Industry Association, National Association of Securities Dealers, and Securities Investors Protection Corporation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation

The Company conforms to its Parent's fiscal year end of the last Friday in the month of September. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Planning Corporation of America ("PCA"), a general insurance agency representing a number of insurance companies, and Raymond James Geneva S.A. ("RJG"), a financial services firm based in Geneva, Switzerland. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, the more significant of which are summarized below.

Securities transactions

Clients' securities transactions are reported on a settlement date basis. Related commission revenues and commission expenses are recorded on a trade date basis. Proprietary securities transactions are recorded on the trade date.

Marketable securities are valued at market value, and securities which are not readily marketable are carried at estimated fair value as determined by management.

Cash and cash equivalents and securities purchased under agreements to resell or repurchase

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents for purposes of the consolidated statement of cash flows. These consist of securities

purchased under agreements to resell, some of which are held in special reserve accounts, and are stated at cost, which approximates fair value at fiscal year end.

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, the Company, 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.

Transactions involving sale of securities under agreements to repurchase (repurchase agreements) or purchases of securities under agreements to resell (reverse repurchase agreements) are accounted for as collateralized financings. These transactions are carried at contractual amounts plus accrued interest. With respect to repurchase agreements, the Company generally receives collateral in the form of cash in an amount in excess of the market value of securities sold. Reverse repurchase agreements generally require the Company to deposit cash with the counterparty. The Company monitors the market value of securities bought and sold on a daily basis, with additional collateral obtained or refunded as necessary. It is the Company's policy to obtain possession and control of securities purchased under resale agreements. The net fair value of securities purchased under resale agreements approximates their carrying value, as such financial instruments are predominantly short-term in nature. The Company monitors the risk of loss by assessing the market value of the underlying securities as compared to the related receivable or payable, including accrued interest, and requests additional collateral where deemed appropriate. At September 27, 2002, there were no agreements with any individual counterparties where the risk of loss exceeded 10% of stockholder's equity. At September 27, 2002, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was \$77,368,000 and the fair value of the collateral that had been sold or repledged was \$24,495,000.

Securities borrowed and securities loaned

Securities borrowed and securities loaned transactions are reported as collateralized financings. Securities borrowed transactions generally require the Company to deposit cash with the lender. With respect to securities loaned, the Company generally receives collateral in the form of cash in an amount in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Property and equipment

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of assets is provided using the straight-line method for financial reporting purposes over the estimated useful lives of the assets, which range from two to five years for software and furniture, fixtures and equipment, and fifteen to thirty-one years for buildings and land improvements. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful lives of the assets. For income tax purposes, assets are depreciated using accelerated methods.

Additions, improvements and expenditures for repairs and maintenance that significantly extend the useful life of an asset are capitalized. Other expenditures for repairs and maintenance are charged to operations in the period incurred. Gains and losses on disposals of property and equipment are reflected in revenue in the period realized.

Exchange memberships

Exchange memberships are carried at cost or, if an other than temporary impairment in value has occurred, at a value that reflects management's estimate of the impairment. The memberships, which are included in other assets at \$2,654,000, had an aggregate estimated fair value of \$6,047,000 at September 27, 2002.

Investment banking

Investment banking fees are recorded at the time the transaction is completed and the related income is reasonably determinable. Investment banking revenues include management fees, underwriting fees and sales credits net of reimbursable expenses, earned in connection with the distribution of the underwritten securities. Warrants received in connection with investment banking transactions are carried at estimated fair value as determined by management.

Income taxes

The results of operations of the Company are included in the consolidated income tax returns of RJF. The Company utilizes the asset and liability approach defined in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement amounts and the tax bases of assets and liabilities.

The fiscal 2002 provision for income taxes was calculated on a separate company basis, and deferred tax assets and liabilities have been recorded by the Company. RJF requires payment from the Company on a current basis for the tax provision and credits the Company on a current basis for deferred tax assets through the intercompany account.

Stock and stock option plans

Certain employees participate in various RJF incentive stock option and restricted stock option plans which provide for the issuance of RJF common stock. RJF accounts for such stock and stock options under APB 25, "Accounting for Stock Issued to Employees" as permitted by SFAS No. 123 "Accounting for Stock-Based Compensation", in a manner consistent with RJF's accounting policies.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3 - RECEIVABLES AND PAYABLES:

Receivables from and payables to brokerage clients

Receivables from and payables to brokerage clients include amounts arising from normal cash and margin transactions. Securities owned by brokerage clients are held as collateral for receivables. Such collateral is not reflected in the accompanying consolidated financial statements. The amount receivable from clients is shown net of an allowance for doubtful accounts of approximately \$4,268,000 as of September 27, 2002. The Company pays interest at varying rates for qualifying client funds on deposit which are awaiting reinvestment. Such funds on deposit totaled \$2,549,145,000 at September 27, 2002. Other funds on deposit on which the Company does not pay interest totaled \$238,170,000 at September 27, 2002. Unsecured receivables, other than affiliated company amounts, are not significant.

Receivables from brokers, dealers and clearing organizations:

	September 27, 2002
	(in thousands)
Securities failed to deliver	\$ 15,649
Open transactions, net	\$ 45,214
Clearing organizations	781
Interest and other	11,497
	<hr/>
Total receivables	\$ 73,141

Payables to brokers, dealers and clearing organizations:

	September 27, 2002
	(in thousands)
Securities failed to receive	\$ 17,987
Interest and other	10,392
	<hr/>
Total payables	\$ 28,379

Fails to deliver represent receivables for securities sold that have not been delivered by the Company for which settlement date has passed. Fails to receive represent payables for securities purchased that have not been received for which settlement date has passed.

Consistent with industry practice, amounts receivable and payable for securities that have not reached the contractual settlement dates are recorded net on the consolidated financial statements and are included in receivables from or payables to brokers, dealers and clearing organizations. Amounts receivable for securities sold of \$2,344,877,000 were netted against amounts payable for securities purchased of \$2,299,663,000 to arrive at a net trade date receivable of \$45,214,000 at September 27, 2002.

NOTE 4 - RELATED PARTY TRANSACTIONS:

Pursuant to formal clearing agreements, the Company clears trades for RJFS and other affiliated entities. The Company confirms securities trades, processes securities movements, records transactions with clients in its accounts and collects commissions and fees on behalf of such affiliates. The Company retains a portion of such commissions and fees as a clearing fee for its services, which it records on a net basis. Total commissions and fees generated by affiliates were \$577,668,000 for the year ended September 27, 2002 of which \$61,836,000 was charged to affiliates as a clearing fee for the Company's services.

The Company charged RJF and other affiliates approximately \$35,429,000 in fiscal year 2002, for communications, occupancy, business development, incentive compensation and administrative expenses. The Company was charged approximately \$17,339,000 in 2002, for administrative, employee benefit, business development and other expenses allocated from RJF and other affiliates.

Receivable from affiliates of \$669,000 at September 27, 2002, which is included in other receivables, and payable to affiliates of \$35,272,000 at September 27, 2002, reflect amounts receivable and payable for these related party transactions. From time to time, the Company will enter into a short term loan arrangement with RJF. At September 27, 2002, the Company had \$12,000,000 as a loan payable to RJF which is included in payable to affiliates.

NOTE 5 - SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED:

Marketable securities owned and securities sold, not yet purchased, are valued at fair market value. Unrealized gains and losses are reflected in the Consolidated Statement of Income. Securities not readily marketable are valued at fair value as determined by the Company's management. The valuation is based upon consideration of available information, including types of securities, current financial information, restrictions on dispositions and market values of underlying securities. The resulting difference between cost and fair value is included in the Consolidated Statement of Income.

	<u>September 27, 2002</u>	
	(in thousands)	
	<u>Securities owned</u>	<u>Securities sold, not yet purchased</u>
Marketable:		
Stocks and warrants	\$ 18,096	\$ 11,106
Municipal obligations	156,680	173
Corporate obligations	18,046	1,569
Government obligations	31,512	24,361
Other	4,679	18,774
Non-marketable	<u>395</u>	<u>-</u>
	<u>\$ 229,408</u>	<u>\$ 55,983</u>

NOTE 6 - PROPERTY AND EQUIPMENT:

	September 27, 2002
	(in thousands)
Land	\$ 5,620
Buildings, land improvements and leasehold improvements	68,551
Furniture, fixtures and equipment	<u>104,019</u>
	178,190
Less: accumulated depreciation and amortization	<u>(109,386)</u>
	<u>\$ 68,804</u>

NOTE 7 - BORROWINGS:

Loans payable includes a mortgage note payable related to the financing of the Company's home office complex. The mortgage requires monthly principal and interest payments of \$291,000 with a balloon payment of \$32,615,000 due on January 1, 2008. The mortgage bears interest at 7.37% and is secured by land, buildings and improvements with a net book value of \$43,698,000 at September 27, 2002. Principal maturities under this mortgage note payable for the succeeding fiscal years are as follows: fiscal 2003 - \$777,000; fiscal 2004 - \$837,000; fiscal 2005 - \$900,000; fiscal 2006 - \$969,000; fiscal 2007 - \$1,043,000; thereafter - \$32,689,000.

The Company maintains uncommitted lines of credit aggregating \$380,100,000 with commercial banks (\$215,100,000 secured and \$165,000,000 unsecured). Borrowings under the lines of credit bear interest at Fed Funds rate (which ranged from 1.52% to 3.02% in 2002) plus 1/2%. There were no unsecured short-term borrowings outstanding at September 27, 2002. The interest rate on borrowings ranged from 2.19% to 3.13% in 2002. Loans on the secured uncommitted lines of credit are collateralized by Company owned or client margin securities.

NOTE 8 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

In the normal course of business the Company purchases and sells securities as either principal or agent on behalf of its clients. If either the client or a counterparty fails to perform, the Company may be required to discharge the obligations of the non-performing party. In such circumstances, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction.

The Company also acts as an intermediary between broker-dealers and other financial institutions whereby the Company borrows securities from one entity and then lends them to another. Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions. The Company measures the market value of the securities borrowed

and loaned against the cash collateral on a daily basis. The market value of securities borrowed and securities loaned was \$738,697,000 and \$791,584,000, respectively, at September 27, 2002. Additional cash is obtained as necessary to ensure such transactions are adequately collateralized. If another party to the transaction fails to perform as agreed (for example, failure to deliver a security or failure to pay for a security), the Company may incur a loss if the market value of the security is different from the contract amount of the transaction.

The Company has also loaned, to broker-dealers and other financial institutions, securities owned by clients and others for which it has received cash or other collateral. If a borrowing institution or broker-dealer does not return a security, the Company may be obligated to purchase the security in order to return it to the owner. In such circumstances, the Company may incur a loss equal to the amount by which the market value of the security on the date of non-performance exceeds the value of the collateral received from the broker-dealer or financial institution.

The Company has sold securities that it does not currently own and will, therefore, be obligated to purchase such securities at a future date. The Company has recorded a liability of \$55,983,000 at September 27, 2002 which represents the market value of the securities at such date. The Company is subject to loss if the market price of those securities increases. The Company utilizes long and short government obligations and equity securities to economically hedge short and long proprietary inventory positions. At September 27, 2002, the Company had \$19,882,000 in short government obligations and \$9,336,000 in short equity securities which represented economically hedged positions.

The Company enters into security transactions on behalf of its clients involving forward settlement. The Company has recorded transactions with a contract value of \$1,861,402,000 and a market value of \$1,863,387,000 as of September 27, 2002. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The Company's exposure to market risk is determined by a number of factors, including the size, composition and diversification of positions held, the absolute and relative levels of interest rates and market volatility.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure is with clients, broker-dealers and other financial institutions in the United States. These activities primarily involve collateralized arrangements and may result in credit exposure in the event that the counterparty fails to meet its contractual obligations. The Company's exposure to credit risk can be directly impacted by volatile securities markets which may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the counterparties' financial condition and credit ratings. The Company monitors collateral levels on a daily basis for compliance with regulatory and internal guidelines and requests changes in collateral levels as appropriate.

NOTE 9 - FEDERAL AND STATE INCOME TAXES:

Income tax expense consists of the following:

	<u>September 27, 2002</u>		
	(in thousands)		
	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 28,877	\$ 3,834	\$ 32,711
State	5,200	638	5,838
Total	<u>\$ 34,077</u>	<u>\$ 4,472</u>	<u>\$ 38,549</u>

The Company's effective tax rate on pretax income differs from the statutory Federal income tax rate due to the following:

	<u>September 27, 2002</u>	
	<u>Amount</u>	<u>Percent</u>
	(in thousands)	
Federal taxes at statutory rate	\$ 35,921	35.0
State income taxes, net of Federal benefit	3,795	3.7
Tax exempt interest income	(2,409)	(2.3)
Other	<u>1,242</u>	<u>1.2</u>
Total	<u>\$ 38,549</u>	<u>37.6</u>

Deferred income taxes as of September 27, 2002 reflect the impact of temporary differences between amounts of assets and liabilities for financial statement purposes and such amounts as measured by tax laws. The temporary differences give rise to deferred tax assets and liabilities, which are summarized below:

	<u>September 27,</u>
	<u>2002</u>
	(in thousands)
Gross deferred tax assets	
Deferred compensation	\$ 20,221
Nondeductible accruals	12,841
Depreciation	9,461
Deferred income	280
Other	<u>552</u>
Total gross deferred tax assets	<u>43,355</u>
Gross deferred tax liabilities	
Other	<u>-</u>
Total gross deferred tax liabilities	<u>-</u>
Net deferred tax assets (liabilities)	<u>\$ 43,355</u>

There was no valuation allowance for deferred tax assets as of September 27, 2002. As of September 27, 2002, based upon the level of historical taxable income and projections for future taxable income, management believes it is more likely than not that the Company will realize the benefits of any deductible differences.

NOTE 10 - NET CAPITAL REQUIREMENTS:

As a registered broker-dealer and member firm of the New York Stock Exchange, Inc. ("NYSE"), the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934 and the rules of the securities exchanges of which it is a member whose requirements are substantially the same. The Company has elected to use the alternative method, permitted by the Uniform Net Capital Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit items arising from client transactions. The NYSE may require a member firm to reduce its business if its net capital is less than 4% of aggregate debit items and may prohibit a member firm from expanding its business and declaring dividends if its net capital is less than 5% of aggregate debit items.

	September 27, 2002
	<u>(in thousands)</u>
Net capital	\$ 316,334
Less: required net capital	<u>(20,159)</u>
Excess net capital	<u>\$ 296,175</u>
Net capital as a percent of aggregate debit items	<u>31%</u>

In accordance with the Securities and Exchange Commission's industry wide "no action" letter dated November 3, 1998, the Company has agreed to compute a reserve requirement for the proprietary accounts of introducing brokers ("PAIB"). As of September 27, 2002 the Company's deposit requirement was \$374,000.

The following is a summary of certain financial information as of September 27, 2002, reflected in thousands. The financial information of PCA and RJG is included in the accompanying consolidated financial statements (see Note 2); PCA is not required to be included in the Company's regulatory capital computation and is therefore appropriately excluded.

	<u>RJA</u>	<u>PCA</u>	<u>RJG</u>	<u>Consolidating Entries</u>	<u>Total</u>
Total assets	\$ 4,461,690	\$ 5,344	\$ 542	\$ (2,761)	\$ 4,464,815
Total liabilities	<u>3,989,812</u>	<u>5,200</u>	<u>542</u>	<u>(2,403)</u>	<u>3,993,151</u>
Stockholder's equity	<u>\$ 471,878</u>	<u>\$ 144</u>	<u>\$ -</u>	<u>\$ (358)</u>	<u>\$ 471,664</u>

NOTE 11 - EMPLOYEE BENEFIT PLANS:

The Company participates in various qualified and non-qualified savings, incentive and stock plans of RJF along with other affiliated companies. RJF allocates the cost of providing these plans to the Company based on cost per employee. The qualified plans include the 401(k), incentive stock option, employee stock purchase, profit sharing and employee stock ownership plans. The 401(k) plan provides for the Company to match 100% of the first \$500 of compensation and 50% of the next \$500 of compensation deferred by each participant annually. As approved by the Board of Directors, the incentive stock option plan grants options on RJF stock to key management employees. The employee stock purchase plan allows employees to purchase shares of RJF common stock on four specified dates throughout the year at a 15% discount from market value, subject to certain limitations. The profit sharing and employee stock ownership plans provide certain death or retirement benefits for employees who meet certain service requirements. Such benefits become fully vested after seven years of qualified service. Non-qualified plans, available to only select employees, include deferred long-term incentive compensation, stock bonus, stock option, retention programs and employee investment funds. Qualified and non-qualified plan compensation expense includes approximately \$14,449,000 in aggregate for contributions to the plans in 2002.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Long-term lease agreements expire at various times from 2003 through 2010. Minimum annual rentals under such agreements for the succeeding fiscal years are approximately: fiscal 2003 - \$15,893,000; fiscal 2004 - \$12,257,000; fiscal 2005 - \$8,798,000; fiscal 2006 - \$6,425,000; fiscal 2007 - \$4,737,000; thereafter - \$2,442,000. Expenses related to the right to use property and equipment incurred under all leases aggregated approximately \$21,717,000 in 2002.

The Company is a defendant or co-defendant in various lawsuits incidental to its securities business. The Company is contesting the allegations of the complaints in these cases and believes that there are meritorious defenses in each of these lawsuits. In view of the number and diversity of claims against the Company, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, the Company cannot state with certainty what the eventual outcome of pending litigation or other claims will be.

In the opinion of the Company's management, based in part on outside legal counsel, and after consideration of amounts provided for in the accompanying consolidated financial statements, ultimate resolution of these matters will not have a material adverse impact on the Company's financial position.

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such commitments that were open at September 27, 2002, and were subsequently settled had no material effect on the consolidated financial statements as of that date.

The Company utilizes client marginable securities to satisfy deposits with clearing organizations. At September 27, 2002, the Company had client margin securities valued at \$52,873,000 on deposit with a clearing organization.

RAYMOND JAMES & ASSOCIATES, INC.
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS
PURSUANT TO RULE 15c3-1

September 27, 2002

(in thousands)

Stockholder's equity	\$	471,878
Nonallowable assets and other charges:		
Receivable from brokers, dealers, and clearing organizations		2,576
Receivable from customers and partly secured accounts, net		3,896
Receivable other		53,385
Exchange memberships		2,654
Furniture, equipment, and leasehold improvements, net		31,573
Due from affiliates		3,429
Other assets		9,896
Other charges		<u>6,975</u>
Total nonallowable assets and other charges		<u>114,384</u>
Capital before haircuts on securities positions		357,494
Haircuts on securities positions		<u>41,162</u>
Net capital		316,332
Minimum net capital:		
The greater of \$250,000 or 2% of aggregate debit items arising from the computation for determination of reserve requirements under Rule 15c3-3		<u>20,159</u>
Excess net capital	\$	<u>296,173</u>
Percentage of net capital to aggregate debit items		<u>31%</u>

No material differences exist between the above computation and the computation included in RJA's corresponding unaudited Form X-17a-5 Part II filing as of September 27, 2002. Therefore, no reconciliation of the two computations is deemed necessary.

See accompanying Independent Auditors' Report.

RAYMOND JAMES & ASSOCIATES, INC.
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR
BROKERS AND DEALERS PURSUANT TO RULE 15c3-3

September 27, 2002

(in thousands)

Credits:

Free credit balances and other credit balances in customers' security accounts	\$ 2,784,497
Monies borrowed collateralized by securities carried for the accounts of customers	46,128
Monies payable against customers' securities loaned	98,889
Customers' securities failed to receive	10,348
Credit balances in firm accounts which are attributable to principal sales to customers	3,793
Market value of short security count differences over 30 calendar days	26
Market value of short securities and credits in suspense accounts outstanding over 30 calendar days	2,938
Market value of securities in transfer over 40 calendar days and unconfirmed by the agent or issuer	<u>161</u>
Total credits	<u>2,946,780</u>

Debits:

Debit balances in customers' cash and margin accounts, excluding unsecured accounts	923,239
Securities borrowed on behalf of customers	37,183
Failed to deliver of customers' securities	1,389
Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts	<u>46,128</u>
Aggregate debits	1,007,939

Less 3% deduction for alternative method 30,238

Total debits 977,701

Reserve requirement \$ 1,969,079

Cash and market value of securities, segregated for
the exclusive benefit of customers:

Balance at September 27, 2002 \$ 2,083,552

Based on September 27, 2002 calculation, new
amount in Reserve Bank account after adding
deposit on October 1, 2002

\$ 2,061,419

No material differences exist between the above computation and the computation included in RJA's corresponding unaudited Form X-17a-5 Part II filing as of September 27, 2002. Therefore, no reconciliation of the two computations is deemed necessary.
See accompanying Independent Auditors' Report.

RAYMOND JAMES & ASSOCIATES, INC.
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

COMPUTATION FOR DETERMINATION OF PAIB RESERVE REQUIREMENTS
FOR BROKERS AND DEALERS

September 27, 2002

(in thousands)

Credits:

Free credit balances and other credit balances in proprietary accounts of introducing brokers (PAIB)	\$ <u>455</u>
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Total PAIB credits	<u>455</u>
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Debits:

Debit balances in PAIB excluding unsecured accounts and accounts doubtful of collection	<u>81</u>
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Total PAIB debits	<u>81</u>
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PAIB Reserve requirement	<u>\$ 374</u>
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Cash and market value of securities, segregated for the exclusive benefit of proprietary introductory brokers: Balance at September 27, 2002	<u>\$ 2,000</u>
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Based on September 27, 2002 calculation, new amount in Reserve Bank account after adding deposit on October 1, 2002	<u>\$ 2,003</u>
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No material differences exist between the above computation and the computation included in RJA's corresponding unaudited Form X-17a-5 Part II filing as of September 27, 2002. Therefore, no reconciliation of the two computations is deemed necessary.

See accompanying Independent Auditors' Report.

Schedule IV

RAYMOND JAMES & ASSOCIATES, INC.
(a wholly-owned subsidiary of Raymond James Financial, Inc.)

INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3

September 27, 2002
(in thousands, except number of items)

	<u>Market value</u>	<u>Number of items</u>
1. Customers' fully paid securities and excess margin securities not in RJA's possession or control as of September 27, 2002 (for which instructions to reduce to possession or control had been issued as of September 27, 2002) but for which the required action was not taken by RJA within the time frame specified under Rule 15c3-3	\$ -	2
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of September 27, 2002, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3	\$ -	3



P.O. Box 1439
Tampa, FL 33601-1439

Supplementary Report of Independent Auditors on Internal Control Structure

The Board of Directors and Stockholder
Raymond James & Associates, Inc. and Subsidiaries:

In planning and performing our audit of the consolidated financial statements and supplemental schedules of Raymond James & Associates, Inc. and Subsidiaries (a wholly owned subsidiary of Raymond James Financial, Inc.) (the Company), for the year ended September 27, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC) and Regulation 1.16 of the Commodity Futures Trading Commission (CFTC), (collectively, the "Commissions"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) and Regulation 1.16, in the following:

1. Making the periodic computations of aggregate debits and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e);
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13;
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System;
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3;
5. Making the periodic computations of minimum financial requirements pursuant to Regulation 1.17; and
6. Making the daily computations of the segregation requirements of section 4(d)(2) of the Commodity Exchange Act and the regulations thereunder, and the segregation of funds based on such computations.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether



those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) and Regulation 1.16 lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second and third paragraphs of this report are considered by the SEC and CFTC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934, the Commodity Exchange Act and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 27, 2002, to meet the Commissions' objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the CFTC, the New York Stock Exchange, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, or Regulation 1.16 under the Commodity Exchange Act, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2002