FRANKLIN RESOURCES INC
Form 10-Q
August 07, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-09318

FRANKLIN RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-2670991**
(State or other jurisdiction of	*(I.R.S. Employer*
incorporation or organization)	*Identification No.)*
One Franklin Parkway, San Mateo, CA	**94403**
(Address of principal executive offices)	*(Zip Code)*

(650) 312-2000

(Registrant s telephone number, including area code)

N/A

(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. x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x 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 definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x NO

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

Outstanding: 230,328,224 shares of common stock, par value $0.10 per share, of Franklin Resources, Inc. as of July 31, 2009.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

FRANKLIN RESOURCES, INC.

Condensed Consolidated Statements of Income

Unaudited

(in thousands, except per share data)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Nine Months Ended June 30, 2009	Nine Months Ended June 30, 2008
Operating Revenues				
Investment management fees	$ 625,025	$ 924,722	$ 1,778,235	$ 2,861,002
Underwriting and distribution fees	365,217	504,272	974,801	1,577,581
Shareholder servicing fees	67,113	73,127	199,969	219,719
Consolidated sponsored investment products income, net	2,908	2,768	6,555	9,436
Other, net	13,295	16,760	(4,400)	43,194
Total operating revenues	1,073,558	1,521,649	2,955,160	4,710,932
Operating Expenses				
Underwriting and distribution	350,675	492,385	933,738	1,530,587
Compensation and benefits	230,943	285,651	711,738	846,566
Information systems, technology and occupancy	68,203	78,477	202,199	237,948
Advertising and promotion	27,888	44,804	78,815	138,820
Amortization of deferred sales commissions	32,865	41,935	103,231	129,808
Other	36,798	46,182	107,567	140,172
Total operating expenses	747,372	989,434	2,137,288	3,023,901
Operating Income	326,186	532,215	817,872	1,687,031
Other Income (Expenses)				
Consolidated sponsored investment products gains (losses), net	35,660	(9,005)	(10,160)	(36,046)
Investment and other income (losses), net	52,285	33,969	(26,653)	147,135
Interest expense	(211)	(3,287)	(3,503)	(15,280)
Other income (expenses), net	87,734	21,677	(40,316)	95,809
Income before taxes	413,920	553,892	777,556	1,782,840
Taxes on income	116,204	150,580	248,134	495,116
Net Income	**$ 297,716**	**$ 403,312**	**$ 529,422**	**$ 1,287,724**
Earnings per Share				
Basic	$ 1.30	$ 1.72	$ 2.29	$ 5.42
Diluted	1.29	1.71	2.28	5.38
Dividends per Share	$ 0.21	$ 0.20	$ 0.63	$ 0.60

See Notes to Condensed Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

Condensed Consolidated Balance Sheets

Unaudited

(in thousands)	**June 30, 2009**	**September 30, 2008**
Assets		
Current Assets		
Cash and cash equivalents	$ 2,238,467	$ 2,314,818
Receivables	595,437	690,351
Investment securities, trading	507,467	356,408
Investment securities, available-for-sale	1,565,610	600,146
Other investments	17,398	836,657
Deferred taxes	51,322	17,308
Prepaid expenses and other	24,703	33,944
Total current assets	5,000,404	4,849,632
Banking/Finance Assets		
Cash and cash equivalents	132,198	212,734
Investment securities, trading	87,823	111,607
Investment securities, available-for-sale	492,457	320,910
Loans held for sale	19,047	32,582
Loans receivable, net	296,999	371,647
Other	9,326	11,899
Total banking/finance assets	1,037,850	1,061,379
Non-Current Assets		
Investment securities, available-for-sale	134,438	155,295
Investments in equity method investees and other	371,518	328,247
Deferred sales commissions	134,680	187,807
Property and equipment, net	535,265	554,706
Goodwill	1,428,914	1,438,093
Other intangible assets, net	568,607	579,572
Other	31,230	21,789
Total non-current assets	3,204,652	3,265,509
Total Assets	**$ 9,242,906**	**$ 9,176,520**

[Table continued on next page]

See Notes to Condensed Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

Condensed Consolidated Balance Sheets

Unaudited

[Table continued from previous page]

(in thousands, except share data)	**June 30, 2009**	**September 30, 2008**
Liabilities and Stockholders Equity		
Current Liabilities		
Compensation and benefits	$ 180,933	$ 307,223
Commercial paper	1,435	13,287
Accounts payable and accrued expenses	296,215	289,985
Commissions	189,066	230,028
Income taxes	24,488	66,032
Other	25,336	29,335
Total current liabilities	717,473	935,890
Banking/Finance Liabilities		
Deposits	646,607	570,279
Variable funding notes		28,551
Federal Home Loan Bank advances	95,000	109,000
Other	26,634	44,743
Total banking/finance liabilities	768,241	752,573
Non-Current Liabilities		
Long-term debt	84,315	118,433
Deferred taxes	156,650	146,489
Other	85,981	71,609
Total non-current liabilities	326,946	336,531
Total liabilities	1,812,660	2,024,994
Commitments and Contingencies (Note 11)		
Minority Interest	86,729	77,162
Stockholders Equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; none issued		
Common stock, $0.10 par value, 1,000,000,000 shares authorized; 230,390,721 and 232,777,979 shares issued and outstanding, at June 30, 2009 and September 30, 2008	23,039	23,278
Capital in excess of par value		
Retained earnings	7,299,342	7,044,732
Accumulated other comprehensive income	21,136	6,354
Total stockholders equity	7,343,517	7,074,364
Total Liabilities and Stockholders Equity	**$ 9,242,906**	**$ 9,176,520**

See Notes to Condensed Consolidated Financial Statements.

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FRANKLIN RESOURCES, INC.

Condensed Consolidated Statements of Cash Flows

Unaudited

	Nine Months Ended June 30,	
(in thousands)	**2009**	**2008**
Net Income	$ 529,422	$ 1,287,724
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129,997	156,817
Stock-based compensation	61,918	57,487
Excess tax benefits from stock-based compensation arrangements	(3,385)	(27,329)
Net losses (gains) on sale of assets	11,553	(22,850)
Equity in net losses (income) of affiliated companies	8,608	(13,119)
Provision for loan losses	5,952	10,411
Other-than-temporary impairment of investments	59,744	5,722
Deferred income taxes	(23,720)	10,687
Changes in operating assets and liabilities:		
Decrease in receivables, prepaid expenses and other	47,457	18,839
Payments on (originations of) loans held for sale, net	15,622	(156,315)
Proceeds from securitization of loans held for sale		394,299
Increase in trading securities, net	(170,261)	(229,189)
Advances of deferred sales commissions	(60,912)	(96,621)
Decrease in income taxes payable	(24,403)	(35,850)
Decrease in commissions payable	(40,962)	(5,216)
Increase in other liabilities	53,132	86,878
Decrease in accrued compensation and benefits	(110,752)	(30,897)
Net cash provided by operating activities	**489,010**	**1,411,478**
Purchase of investments	(1,748,981)	(1,561,773)
Liquidation of investments	1,506,632	1,418,998
Purchase of banking/finance investments	(208,920)	(213,400)
Liquidation of banking/finance investments	44,433	36,763
Decrease (increase) in loans receivable	64,564	(134,328)
Additions of property and equipment, net	(32,428)	(57,609)
Acquisitions of subsidiaries, net of cash acquired	533	6,717
Net cash used in investing activities	**(374,167)**	**(504,632)**
Increase in bank deposits, net	76,328	103,304
Exercise of common stock options	14,722	7,131
Dividends paid on common stock	(144,270)	(132,021)
Purchase of common stock	(218,677)	(1,317,225)
Excess tax benefits from stock-based compensation arrangements	3,385	27,329
Proceeds from issuance of debt	398,947	1,050,179
Payments on debt	(454,735)	(1,458,487)
Minority interest	69,747	278,835
Net cash used in financing activities	**(254,553)**	**(1,440,955)**
Effect of exchange rate changes on cash and cash equivalents	(17,177)	(5,960)

Decrease in cash and cash equivalents	(156,887)	(540,069)
Cash and cash equivalents, beginning of period	2,527,552	3,584,183
Cash and Cash Equivalents, End of Period	**$ 2,370,665**	**$ 3,044,114**

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See Notes to Condensed Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

Condensed Consolidated Statements of Cash Flows

Unaudited

[Table continued from previous page]

(in thousands)	Nine Months Ended June 30, 2009	2008
Components of Cash and Cash Equivalents		
Cash and cash equivalents, beginning of period:		
Current assets	$ 2,314,818	$ 3,304,495
Banking/finance assets	212,734	279,688
Total	**$ 2,527,552**	**$ 3,584,183**
Cash and cash equivalents, end of period:		
Current assets	$ 2,238,467	$ 2,880,797
Banking/finance assets	132,198	163,317
Total	**$ 2,370,665**	**$ 3,044,114**
Supplemental Disclosure of Non-Cash Information		
Change in assets related to the net deconsolidation of certain sponsored investment products	$ (129,187)	$ (400,711)
Change in liabilities related to the net deconsolidation of certain sponsored investment products	(69,794)	(113,061)
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$ 305,730	$ 512,669
Cash paid for interest	7,189	40,822

See Notes to Condensed Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

Notes to Condensed Consolidated Financial Statements

June 30, 2009

(Unaudited)

Note 1 - Basis of Presentation

The unaudited interim financial statements of Franklin Resources, Inc. and its consolidated subsidiaries (collectively, the Company) included herein have been prepared by the Company in accordance with the instructions to Form 10-Q and the rules and regulations of the U.S. Securities and Exchange Commission (the SEC). Under these rules and regulations, some information and footnote disclosures normally included in financial statements prepared under accounting principles generally accepted in the United States of America (U.S. GAAP) have been shortened or omitted. Management believes that all adjustments necessary for a fair statement of the financial position and the results of operations for the periods shown have been made. All adjustments are normal and recurring. These financial statements should be read together with the Company s audited financial statements included in its Form 10-K for the fiscal year ended September 30, 2008 (fiscal year 2008). Certain amounts for the comparative prior fiscal year periods have been reclassified to conform to the financial presentation as of and for the periods ended June 30, 2009. The Company has evaluated subsequent events through August 7, 2009, which is the date that this Quarterly Report on Form 10-Q is filed with the SEC.

Note 2 - New Accounting Standards

The Company adopted the following accounting standards during the nine months ended June 30, 2009.

In May 2009, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) No. 165, Subsequent Events (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is based substantially on the same principles as those that currently exist in the auditing standards. However, SFAS 165 requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or were available to be issued. SFAS 165 is effective for fiscal years and interim periods ending after June 15, 2009. The adoption of SFAS 165 did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments . FSP FAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods and amends Accounting Principles Board Opinion No. 28, Interim Financial Reporting , to require entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments and describe changes in methods and significant assumptions, in both interim and annual financial statements. FSP FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS 107-1 and APB 28-1 had no financial impact on the Company s consolidated financial statements. The Company has applied the disclosure requirements of FSP FAS 107-1 and APB 28-1 on a prospective basis. Accordingly, disclosures related to periods prior to the date of the adoption have not been presented.

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly . FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased and includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS 157-4 did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments . FSP FAS 115-2 and FAS 124-2 amends the presentation and disclosure of other-than-temporary impairments of debt and equity securities, as well as amends the recognition and measurement guidance for other-than-temporary impairments of debt securities. Under FSP FAS 115-2 and FAS 124-2, other-than-temporary impairments on debt securities are recognized if an entity has the intent to sell the security or it is more likely than not that an entity will be required to sell the security and the entity does not expect to recover the entire amortized cost of the security. If an entity does not intend to sell a security and it is not more likely than not that the entity will be required to sell the security, but the security has suffered a credit loss, the impairment charge is separated into the credit loss component and recorded in earnings, and the remainder of the impairment is recorded in other comprehensive income. FSP FAS 115-2 and FAS 124-2 is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS 115-2 and FAS 124-2 did not have a material impact on the Company s consolidated financial statements.

In January 2009, the FASB issued FSP EITF 99-20-1, Amendments to the Impairment Guidance of EITF Issue No. 99-20 (FSP EITF 99-20-1). FSP EITF 99-20-1 amends the impairment guidance of Emerging Issues Task Force (EITF) Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets to align it with the impairment guidance of SFAS No. 115, Accounting for

Certain Investments in Debt and Equity Securities . Both standards now require that management consider the probability that the holder of an asset will be unable to collect all amounts due when assessing assumptions about future cash flows for evaluations of assets for other-than-temporary impairment. FSP EITF 99-20-1 is effective for interim and annual reporting periods ending after December 15, 2008. The adoption of FSP EITF 99-20-1 did not have a material impact on the Company s consolidated financial statements.

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP FAS 140-4 and FIN 46R-8). FSP FAS 140-4 and FIN 46R-8 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities as amended (SFAS 140) and FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46R) to require enhanced disclosures by public entities about transfers of financial assets and interests in variable interest entities, and provide users of the financial statements with greater transparency about a transferor s continuing involvement with transferred financial assets and an enterprise s involvement with variable interest entities. The disclosures required by FSP FAS 140-4 and FIN 46R-8 are effective for interim and annual reporting periods ending after December 15, 2008. The adoption of FSP FAS 140-4 and FIN 46R-8 had no financial impact on the Company s consolidated financial statements. The Company has applied the disclosure requirements of FSP FAS 140-4 and FIN 46R-8 on a prospective basis. Accordingly, disclosures related to periods prior to the date of the adoption have not been presented.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 amends and expands the disclosure requirements of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities as amended (SFAS 133), to provide enhanced disclosures about how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS 133; and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of SFAS 161 did not have a material impact on the Company s consolidated financial statements.

In June 2007, the FASB ratified the consensus reached by the EITF in EITF Issue No. 06-11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards (EITF 06-11). EITF 06-11 requires that the realized income tax benefit from dividends and dividend equivalents that are charged to retained earnings and paid to employees for equity classified nonvested equity shares, nonvested equity share units, and outstanding equity share options be recorded as an increase to capital in excess of par value. EITF 06-11 applies prospectively to the income tax benefits on dividends declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. The adoption of EITF 06-11 had no impact on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits entities to irrevocably elect fair value as the measurement method for certain financial assets and liabilities, with changes in fair value recognized in earnings as they occur. SFAS 159 provides the fair value option election on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The difference between carrying value and fair value at the election date should be recorded as a cumulative effective adjustment to opening retained earnings. SFAS 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Company adopted SFAS 159 on October 1, 2008 without electing to apply the fair value option to any eligible assets or liabilities. Therefore, the adoption of SFAS 159 did not have a material impact on the Company s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157), which provides a common definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 , which amends SFAS 157 to exclude FASB Statement No. 13, Accounting for Leases (SFAS 13), and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13 from the scope of SFAS 157, and issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 , which delays the effective date of SFAS 157 for nonfinancial assets and liabilities, except for items recognized or disclosed at fair value on an annual or more frequent basis, until fiscal years beginning after November 15, 2008. In October 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active , which clarifies the application of SFAS 157 for determining the fair value of a financial asset when the market for that asset is not active. The Company adopted SFAS 157 and related interpretations on October 1, 2008 for its financial assets and liabilities measured and reported at fair value. The adoption of SFAS 157 did not have a material impact on the Company s consolidated financial statements. The adoption of SFAS 157 for nonfinancial assets and liabilities recognized or disclosed at fair value on a non-recurring basis is not expected to have a material impact on its consolidated financial statements.

Updates to the new accounting standards as disclosed in the Company s Form 10-K for the fiscal year ended September 30, 2008 are as follows:

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). The FASB Accounting Standards Codification (the Codification) will become the single source of authoritative U.S. GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All other accounting literature not included in the Codification will become nonauthoritative. SFAS 168 is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. As the Codification does not change U.S GAAP, the adoption of SFAS 168 will not have a material impact on the Company s consolidated financial statements. The Company will reference U.S. GAAP using the Codification framework in its financial statements beginning with the fiscal year ending September 30, 2009.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 requires an enterprise to perform a qualitative analysis to determine whether its variable interests give it a controlling financial interest in a variable interest entity (VIE). Under SFAS 167, an enterprise has a controlling financial interest when it has (a) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. An enterprise that holds a controlling financial interest is deemed to be the primary beneficiary of the VIE and is required to consolidate the VIE. SFAS 167 also requires an ongoing reassessment of whether an enterprise is the primary beneficiary of a variable interest entity, and additional disclosures about an enterprise s involvement in VIEs and any significant changes in risk exposure due to that involvement. SFAS 167 is effective for fiscal years beginning after November 15, 2009. The Company is currently evaluating the impact that the adoption of SFAS 167 on October 1, 2010 will have on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 eliminates the concept of a qualifying special-purpose entity (QSPE), changes the requirements for derecognizing financial assets, and requires additional disclosures to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity s continuing involvement in and exposure to the risks related to transferred financial assets. SFAS 166 also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The elimination of the QSPE concept may have a significant impact on the Company s consolidated financial statements as the Company may need to consolidate assets previously sold to QSPEs, and it may not be able to derecognize assets sold to similar types of entities after the adoption of SFAS 166 on October 1, 2010.

Note 3 - Comprehensive Income

The components of comprehensive income were as follows:

	Three Months Ended June 30,		**Nine Months Ended June 30,**	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Net income	$ 297,716	$ 403,312	$ 529,422	$ 1,287,724
Net unrealized gains (losses) on investments, net of tax	51,133	(14,502)	55,910	(73,932)
Currency translation adjustments	78,877	(16,534)	(41,000)	(22,971)
Other	(45)	(57)	(128)	(170)
Total Comprehensive Income	**$ 427,681**	**$ 372,219**	**$ 544,204**	**$ 1,190,651**

Note 4 - Earnings per Share

Basic earnings per share is computed on the basis of the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. The components of basic and diluted earnings per share were as follows:

	Three Months Ended June 30,				Nine Months Ended June 30,			
(in thousands, except per share data)	2009		2008		2009		2008	
Net income	**$**	**297,716**	**$**	**403,312**	**$**	**529,422**	**$**	**1,287,724**
Weighted-average shares outstanding basic		229,804		234,631		230,871		237,593
Common stock options, nonvested stock awards and nonvested stock unit awards		1,019		1,854		963		1,967
Weighted-Average Shares Outstanding Diluted		**230,823**		**236,485**		**231,834**		**239,560**
Earnings per Share								
Basic	$	1.30	$	1.72	$	2.29	$	5.42
Diluted		1.29		1.71		2.28		5.38

For the three and nine months ended June 30, 2009, the Company excluded approximately 1.9 million nonvested shares related to grants of stock awards and stock unit awards from the computation of diluted earnings per share because their effect would have been anti-dilutive. For the three and nine months ended June 30, 2008, the Company excluded approximately 1.3 million nonvested shares related to grants of stock awards and stock unit awards from the computation of diluted earnings per share because their effect would have been anti-dilutive.

Note 5 - Cash and Cash Equivalents

The Company discloses cash and cash equivalents as separate components of current assets and banking/finance assets in the condensed consolidated balance sheets. Cash and cash equivalents consisted of the following:

(in thousands)	June 30, 2009		September 30, 2008	
Cash on hand and demand deposits with banks	$	441,177	$	579,361
Federal funds sold		3,165		134,759
Sponsored money market funds		1,254,388		1,076,966
Time deposits, securities of U.S. Treasury and federal agencies and other		671,935		736,466
Total	**$**	**2,370,665**	**$**	**2,527,552**

Federal Reserve Board regulations require certain of the Company s banking subsidiaries to maintain reserve and clearing balances on deposits with the Federal Reserve Banks. The required reserve balance was $6.4 million at June 30, 2009 and September 30, 2008. The required clearing balance was $1.2 million at June 30, 2009 and September 30, 2008.

The Company maintains cash and cash equivalents with financial institutions in various countries, limits the amount of credit exposure with any given financial institution and conducts ongoing evaluations of the creditworthiness of the financial institutions with which it does business.

Note 6 - Investments

Investments consisted of the following:

(in thousands)	June 30, 2009	September 30, 2008
Current		
Investment securities, trading	$ 507,467	$ 356,408
Investment securities, available-for-sale		
Sponsored investment products	838,586	591,562
Securities of U.S. states and political subdivisions	12,137	5,104
Securities of U.S. Treasury and federal agencies	709,307	2,799
Other equity securities	5,580	681
Total investment securities, available-for-sale	1,565,610	600,146
Other investments[1]	17,398	836,657
Total Current	**$ 2,090,475**	**$ 1,793,211**
Banking/Finance		
Investment securities, trading	$ 87,823	$ 111,607
Investment securities, available-for-sale		
U.S. government-sponsored enterprise obligations[2]	387,410	315,683
Securities of U.S. states and political subdivisions	856	1,125
Securities of U.S. Treasury and federal agencies	3,588	3,760
Corporate debt securities[3]	100,382	
Other equity securities	221	342
Total investment securities, available-for-sale	492,457	320,910
Total Banking/Finance	**$ 580,280**	**$ 432,517**
Non-Current		
Investment securities, available-for-sale		
Sponsored investment products	$ 23,588	$ 28,089
Securities of U.S. states and political subdivisions	106,459	119,031
Securities of U.S. Treasury and federal agencies		625
Other equity securities	4,391	7,550
Total investment securities, available-for-sale	134,438	155,295
Investments in equity method investees and other	371,518	328,247
Total Non-Current	**$ 505,956**	**$ 483,542**

[1] Other investments consist of time deposits with financial institutions having maturities greater than three months but not exceeding one year from the date of purchase.

[2] At June 30, 2009, U.S. government-sponsored enterprise obligations consisted of $334.5 million of residential mortgage-backed securities and $52.9 million of debentures.

[3] Corporate debt securities are insured by the Federal Deposit Insurance Corporation or non-U.S. government agencies.

At June 30, 2009 and September 30, 2008, current investment securities, trading included $320.1 million and $294.6 million of securities held by sponsored investment products that were consolidated in the Company s condensed financial statements.

At June 30, 2009 and September 30, 2008, banking/finance segment investment securities with aggregate carrying values of $375.6 million and $294.1 million were pledged as collateral for the ability to borrow from various government agencies (see Note 10 Debt). In addition, investment management segment securities with aggregate carrying values of $5.5 million and $8.3 million were pledged as collateral at June 30, 2009 and September 30, 2008.

A summary of the gross unrealized gains and losses relating to investment securities, available-for-sale is as follows:

(in thousands)		Gross Unrealized		
as of June 30, 2009	**Cost Basis**	**Gains**	**Losses**	**Fair Value**
Sponsored investment products	$ 838,039	$ 40,239	$ (16,104)	$ 862,174
U.S. government-sponsored enterprise obligations	381,689	6,889	(1,168)	387,410
Securities of U.S. states and political subdivisions	117,848	2,611	(1,007)	119,452
Securities of U.S. Treasury and federal agencies	712,542	431	(78)	712,895
Corporate debt securities	100,300	277	(195)	100,382
Other equity securities	8,358	1,886	(52)	10,192
Total	**$ 2,158,776**	**$ 52,333**	**$ (18,604)**	**$ 2,192,505**

(in thousands)		Gross Unrealized		
as of September 30, 2008	**Cost Basis**	**Gains**	**Losses**	**Fair Value**
Sponsored investment products	$ 650,873	$ 12,465	$ (43,687)	$ 619,651
U.S. government-sponsored enterprise obligations	315,969	2,705	(2,991)	315,683
Securities of U.S. states and political subdivisions	126,583	401	(1,724)	125,260
Securities of U.S. Treasury and federal agencies	7,092	109	(17)	7,184
Other equity securities	7,882	906	(215)	8,573
Total	**$ 1,108,399**	**$ 16,586**	**$ (48,634)**	**$ 1,076,351**

The changes in net holding gains (losses) on investment securities, available-for-sale included in accumulated other comprehensive income were $52.6 million and $(6.4) million for the three and nine months ended June 30, 2009 and $(3.7) million and $(54.3) million for the three and nine months ended June 30, 2008. The tax effects of the net change in unrealized gains (losses) were $(3.5) million and $(9.9) million during the three and nine months ended June 30, 2009 and $(5.2) million and $(3.5) million during the three and nine months ended June 30, 2008.

The following tables show the gross unrealized losses and fair values of investment securities, available-for-sale with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

(in thousands)	Less Than 12 Months		12 Months or Greater		Total	
as of June 30, 2009	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Current						
Investment securities, available-for-sale						
Sponsored investment products	$ 144,813	$ (11,117)	$ 25,586	$ (3,212)	$ 170,399	$ (14,329)
Other equity securities	42	(5)	28	(5)	70	(10)
Total Current	**$ 144,855**	**$ (11,122)**	**$ 25,614**	**$ (3,217)**	**$ 170,469**	**$ (14,339)**
Banking/Finance						
Investment securities, available-for-sale						

U.S. government-sponsored enterprise obligations	$	22,764	$	(45)	$	78,846	$	(1,123)	$	101,610	$	(1,168)
Securities of U.S. Treasury and federal agencies		1,446		(32)		2,142		(46)		3,588		(78)
Corporate debt securities		49,805		(195)						49,805		(195)
Total Banking/Finance	**$**	**74,015**	**$**	**(272)**	**$**	**80,988**	**$**	**(1,169)**	**$**	**155,003**	**$**	**(1,441)**
Non-Current												
Investment securities, available-for-sale												
Sponsored investment products	$	38,657	$	(1,685)	$	3,410	$	(90)	$	42,067	$	(1,775)
Securities of U.S. states and political subdivisions		1,518		(7)		27,795		(1,000)		29,313		(1,007)
Other equity securities		117		(42)						117		(42)
Total Non-Current	**$**	**40,292**	**$**	**(1,734)**	**$**	**31,205**	**$**	**(1,090)**	**$**	**71,497**	**$**	**(2,824)**

(in thousands)	Less Than 12 Months		12 Months or Greater		Total	
as of September 30, 2008	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Current						
Investment securities, available-for-sale						
Sponsored investment products	$ 368,820	$ (39,761)	$ 37,257	$ (2,331)	$ 406,077	$ (42,092)
Other equity securities	32	(3)	30	(12)	62	(15)
Total Current	**$ 368,852**	**$ (39,764)**	**$ 37,287**	**$ (2,343)**	**$ 406,139**	**$ (42,107)**