

FRANKLIN RESOURCES INC
Form 10-K/A
February 07, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

(MARK ONE)

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

For the fiscal year ended September 30, 2005

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
(State or other jurisdiction of incorporation

or organization)

One Franklin Parkway, San Mateo, CA
(Address of principal executive offices)

13-2670991
(I.R.S. Employer Identification No.)

94403
(Zip Code)

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Registrant's telephone number, including area code: (650) 312-2000

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|---|--|
| Common Stock, par value \$.10 per share | New York Stock Exchange Pacific Exchange |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

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

YES NO

The aggregate market value of the voting common equity (common stock) held by non-affiliates of the registrant, as of March 31, 2005 (the last business day of registrant s second quarter of fiscal year 2005), was approximately \$23.4 billion based upon the last sale price reported for such date on the New York Stock Exchange. For purposes of this calculation, shares of common stock held by persons who hold more than 5% of the outstanding shares of common stock and held by executive officers and directors of the registrant have been treated as shares held by affiliates. However, such treatment should not be construed as an admission that any such person is an affiliate of the registrant. The registrant has no non-voting common equity.

Number of shares of the registrant s common stock outstanding at November 30, 2005: 253,765,553

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the registrant s definitive proxy statement for its annual meeting of stockholders, to be filed with the Securities and Exchange Commission within 120 days after September 30, 2005, are incorporated by reference into Part III of this report.

EXPLANATORY NOTE

We inadvertently omitted the signature of PricewaterhouseCoopers LLP from its Report of Independent Registered Public Accounting Firm included in Item 8 of our Form 10-K for the fiscal year ended September 30, 2005, which was filed with the Securities and Exchange Commission (SEC) on December 14, 2005 (the Form 10-K).

We are filing this Amendment No. 1 on Form 10-K/A to correct this inadvertent omission. We are also correcting an unintentional typographical error that appeared under the heading classification Net cash (used in) provided by financing activities in our Consolidated Statement of Cash Flows covering the fiscal year ended September 30, 2004, that was included in Item 8 of our Form 10-K. Specifically, the amount for Payments on debt is being changed from (199,194) to (199,914) .

In order to comply with certain technical requirements of the SEC s rules in connection with the filing of this amendment on Form 10-K/A, we are (i) setting forth in this amendment the complete text of Item 8 (Financial Statements and Supplementary Data) and Item 15 (Exhibits, Financial Statement Schedules), as amended and (ii) adding, as exhibits, certain current dated certifications of our principal executive and principal financial officers and the Consent of Independent Registered Public Accounting Firm.

Except for the matters described above, this amendment does not modify or update disclosures in, or exhibits to, the Form 10-K originally filed on December 14, 2005. Furthermore, except for the matters described above, this amendment does not change any previously reported financial results, nor does it reflect events occurring after the date of the original Form 10-K.

Item 8. Financial Statements and Supplementary Data.

Index of Consolidated Financial Statements for the years ended September 30, 2005, 2004, and 2003.

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All schedules have been omitted as the information is provided in the financial statements or in related notes thereto or is not required to be filed as the information is not applicable.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Franklin Resources, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2005, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on that assessment, management concluded that, as of September 30, 2005, the Company's internal control over financial reporting was effective.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2005 has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm that audits the Company's consolidated financial statements, as stated in their report immediately following this report, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of September 30, 2005.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

and Stockholders of Franklin Resources, Inc.

We have completed an integrated audit of Franklin Resources, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of September 30, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of Franklin Resources, Inc. and its subsidiaries at September 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of September 30, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

San Francisco, California

December 14, 2005

CONSOLIDATED STATEMENTS OF INCOME*(in thousands, except per share data)*

| <i>Years Ended September 30,</i> | 2005 | 2004 | 2003 |
|--|---------------------|-------------------|-------------------|
| Operating Revenues | | | |
| Investment management fees | \$ 2,456,518 | \$ 1,970,628 | \$ 1,487,331 |
| Underwriting and distribution fees | 1,531,610 | 1,150,922 | 852,350 |
| Shareholder servicing fees | 254,763 | 244,063 | 217,225 |
| Consolidated sponsored investment products income, net | 4,414 | 3,519 | 93 |
| Other, net | 62,793 | 69,076 | 75,125 |
| Total operating revenues | 4,310,098 | 3,438,208 | 2,632,124 |
| Operating Expenses | | | |
| Underwriting and distribution | 1,406,137 | 1,035,111 | 768,519 |
| Compensation and benefits | 870,293 | 769,438 | 649,882 |
| Information systems, technology and occupancy | 286,866 | 273,540 | 285,329 |
| Advertising and promotion | 137,298 | 112,017 | 92,399 |
| Amortization of deferred sales commissions | 122,470 | 98,893 | 73,501 |
| Amortization of intangible assets | 17,459 | 17,604 | 16,961 |
| Provision for governmental investigations, proceedings and actions, net | 33,658 | 105,000 | |
| September 11, 2001 recovery, net | | (30,277) | (4,401) |
| Other | 147,541 | 126,057 | 101,858 |
| Total operating expenses | 3,021,722 | 2,507,383 | 1,984,048 |
| Operating income | 1,288,376 | 930,825 | 648,076 |
| Other Income (Expenses) | | | |
| Consolidated sponsored investment products gains, net | 29,121 | 3,393 | 1,645 |
| Investment and other income, net | 137,401 | 90,306 | 70,392 |
| Interest expense | (34,043) | (30,658) | (19,910) |
| Other income, net | 132,479 | 63,041 | 52,127 |
| Income before taxes on income and cumulative effect of an accounting change | 1,420,855 | 993,866 | 700,203 |
| Taxes on income | 363,224 | 291,981 | 197,373 |
| Income before cumulative effect of an accounting change, net of tax | 1,057,631 | 701,885 | 502,830 |
| Cumulative effect of an accounting change, net of tax | | 4,779 | |
| Net Income | \$ 1,057,631 | \$ 706,664 | \$ 502,830 |
| Basic Earnings per Share | | | |
| Income before cumulative effect of an accounting change | \$ 4.22 | \$ 2.82 | \$ 1.98 |
| Cumulative effect of an accounting change | | 0.02 | |
| Net | \$ 4.22 | \$ 2.84 | \$ 1.98 |
| Diluted Earnings per Share | | | |

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| | | | |
|---|----------------|----------------|----------------|
| Income before cumulative effect of an accounting change | \$ 4.06 | \$ 2.73 | \$ 1.95 |
| Cumulative effect of an accounting change | | 0.02 | |
| Net | \$ 4.06 | \$ 2.75 | \$ 1.95 |
| Dividends per Share | \$ 2.40 | \$ 0.34 | \$ 0.30 |

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS*(in thousands)*

| <u>As of September 30,</u> | <u>2005</u> | <u>2004</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,076,318 | \$ 2,814,184 |
| Receivables | 549,203 | 406,247 |
| Investment securities, trading | 254,750 | 257,329 |
| Investment securities, available-for-sale | 618,426 | 432,665 |
| Deferred taxes and other | 121,891 | 133,420 |
| Total current assets | 4,620,588 | 4,043,845 |
| Banking/Finance Assets | | |
| Cash and cash equivalents | 75,841 | 103,004 |
| Loans held for sale, net | 303,161 | 82,481 |
| Loans receivable, net | 264,275 | 334,676 |
| Investment securities, available-for-sale | 239,880 | 265,870 |
| Other | 31,983 | 39,813 |
| Total banking/finance assets | 915,140 | 825,844 |
| Non-Current Assets | | |
| Investments, other | 452,831 | 388,819 |
| Deferred sales commissions | 309,858 | 299,069 |
| Property and equipment, net | 489,366 | 470,578 |
| Goodwill | 1,390,851 | 1,381,757 |
| Other intangible assets, net | 656,593 | 671,500 |
| Receivable from banking/finance group | | 37,784 |
| Other | 58,700 | 108,572 |
| Total non-current assets | 3,358,199 | 3,358,079 |
| Total Assets | \$ 8,893,927 | \$ 8,227,768 |

[Table continued on next page]

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

[Table continued from previous page]

(in thousands)

| <u>As of September 30,</u> | <u>2005</u> | <u>2004</u> |
|---|---------------------|---------------------|
| Liabilities and Stockholders Equity | | |
| Current Liabilities | | |
| Compensation and benefits | \$ 252,504 | \$ 284,483 |
| Commercial paper | 169,389 | 169,633 |
| Accounts payable and accrued expenses | 205,853 | 249,789 |
| Commissions | 176,676 | 128,341 |
| Income taxes | 25,730 | 76,862 |
| Other | 21,745 | 11,640 |
| Total current liabilities | 851,897 | 920,748 |
| Banking/Finance Liabilities | | |
| Deposits | 519,140 | 555,746 |
| Payable to parent | | 37,784 |
| Variable Funding Note | 239,222 | |
| Other | 46,440 | 65,187 |
| Total banking/finance liabilities | 804,802 | 658,717 |
| Non-Current Liabilities | | |
| Long-term debt | 1,208,390 | 1,196,409 |
| Deferred taxes | 235,005 | 236,126 |
| Other | 33,342 | 32,895 |
| Total non-current liabilities | 1,476,737 | 1,465,430 |
| Total liabilities | 3,133,436 | 3,044,895 |
| Minority Interest | 76,107 | 76,089 |
| Commitments and Contingencies (Note 13) | | |
| 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; 252,744,758 and 249,680,498 shares issued and outstanding, for 2005 and 2004 | 25,274 | 24,968 |
| Capital in excess of par value | 374,860 | 255,137 |
| Retained earnings | 5,206,485 | 4,751,504 |
| Deferred compensation | (21,958) | |
| Accumulated other comprehensive income | 99,723 | 75,175 |
| Total stockholders equity | 5,684,384 | 5,106,784 |
| Liabilities and Stockholders Equity | \$ 8,893,927 | \$ 8,227,768 |

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
(in thousands)

| As of and for the Years Ended September 30, 2005, 2004, and 2003 | Shares | | Capital in |
|--|----------------|------------------|---------------------|
| | Common Stock | Common Stock | Excess of Par Value |
| Balance, October 1, 2002 | 258,555 | \$ 25,856 | \$ 598,196 |
| Net income | | | |
| Other comprehensive income | | | |
| Net unrealized loss on investments | | | |
| Currency translation adjustments | | | |
| Minimum pension liability adjustment | | | |
| Total comprehensive income | | | |
| Purchase of stock | (15,275) | (1,528) | (574,153) |
| Cash dividends on common stock | | | |
| Issuance of restricted shares, net | 913 | 91 | 28,282 |
| Employee stock plan (ESIP) shares | 524 | 52 | 16,785 |
| Net put option premiums and settlements | | | 1,335 |
| Reclassification of put options to liability | | | (7,289) |
| Exercise of options and other | 1,215 | 122 | 44,868 |
| Balance, September 30, 2003 | 245,932 | 24,593 | 108,024 |
| Net income | | | |
| Other comprehensive income | | | |
| Net unrealized gains on investments | | | |
| Currency translation adjustments | | | |
| Minimum pension liability adjustment | | | |
| Total comprehensive income | | | |
| Purchase of stock | (1,347) | (134) | (67,458) |
| Cash dividends on common stock | | | |
| Issuance of restricted shares, net | 1,004 | 100 | 45,725 |
| Employee stock plan (ESIP) shares | 594 | 59 | 21,710 |
| Tax benefit from employee stock plans | | | 18,567 |
| Exercise of options | 3,497 | 350 | 128,569 |
| Balance, September 30, 2004 | 249,680 | 24,968 | 255,137 |
| Net income | | | |
| Other comprehensive income | | | |
| Net unrealized gains on investments | | | |
| Currency translation adjustments | | | |
| Total comprehensive income | | | |
| Purchase of stock | (2,492) | (249) | (169,886) |
| Cash dividends on common stock | | | |
| Issuance of restricted shares, net | 1,708 | 170 | 117,549 |
| Employee stock plan (ESIP) shares | 541 | 54 | 28,930 |
| Tax benefit from employee stock plans | | | 24,119 |
| Exercise of options | 3,308 | 331 | 119,011 |
| Deferred compensation | | | |
| Balance, September 30, 2005 | 252,745 | \$ 25,274 | \$ 374,860 |

[Table continued on next page]

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

[Table continued from previous page]

(in thousands)

| As of and for the Years Ended September 30, 2005, 2004, and 2003 | Retained Earnings | Deferred Compensation | Accumulated Other Comprehensive Income (Loss) | Total Stockholders Equity | Total Comprehensive Income |
|---|----------------------|--------------------------|--|---------------------------------|----------------------------------|
| Balance, October 1, 2002 | \$ 3,702,636 | \$ | \$ (59,742) | \$ 4,266,946 | |
| Net income | 502,830 | | | 502,830 | \$ 502,830 |
| Other comprehensive income | | | | | |
| Net unrealized loss on investments | | | 72,222 | 72,222 | 72,222 |
| Currency translation adjustments | | | 30,727 | 30,727 | 30,727 |
| Minimum pension liability adjustment | | | 4,640 | 4,640 | 4,640 |
| Total comprehensive income | | | | | \$ 610,419 |
| Purchase of stock | | | | (575,681) | |
| Cash dividends on common stock | (75,822) | | | (75,822) | |
| Issuance of restricted shares, net | | | | 28,373 | |
| Employee stock plan (ESIP) shares | | | | 16,837 | |
| Net put option premiums and settlements | | | | 1,335 | |
| Reclassification of put options to liability | | | | (7,289) | |
| Exercise of options and other | | | | 44,990 | |
| Balance, September 30, 2003 | 4,129,644 | | 47,847 | 4,310,108 | |
| Net income | 706,664 | | | 706,664 | \$ 706,664 |
| Other comprehensive income | | | | | |
| Net unrealized gain on investments | | | 9,292 | 9,292 | 9,292 |
| Currency translation adjustments | | | 16,895 | 16,895 | 16,895 |
| Minimum pension liability adjustment | | | 1,141 | 1,141 | 1,141 |
| Total comprehensive income | | | | | \$ 733,992 |
| Purchase of stock | | | | (67,592) | |
| Cash dividends on common stock | (84,804) | | | (84,804) | |
| Issuance of restricted shares, net | | | | 45,825 | |
| Employee stock plan (ESIP) shares | | | | 21,769 | |
| Tax benefit from employee stock plans | | | | 18,567 | |
| Exercise of options | | | | 128,919 | |
| Balance, September 30, 2004 | 4,751,504 | | 75,175 | 5,106,784 | |
| Net income | 1,057,631 | | | 1,057,631 | \$ 1,057,631 |
| Other comprehensive income | | | | | |
| Net unrealized gains on investments | | | 13,254 | 13,254 | 13,254 |
| Currency translation adjustments | | | 11,294 | 11,294 | 11,294 |
| Total comprehensive income | | | | | \$ 1,082,179 |
| Purchase of stock | | | | (170,135) | |
| Cash dividends on common stock | (602,650) | | | (602,650) | |
| Issuance of restricted shares, net | | | | 117,719 | |

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| | | | | | |
|---------------------------------------|---------------------|--------------------|------------------|---------------------|--|
| Employee stock plan (ESIP) shares | | | | 28,984 | |
| Tax benefit from employee stock plans | | | | 24,119 | |
| Exercise of options | | | | 119,342 | |
| Deferred compensation | | (21,958) | | (21,958) | |
| Balance, September 30, 2005 | \$ 5,206,485 | \$ (21,958) | \$ 99,723 | \$ 5,684,384 | |

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS*(in thousands)*

| Years Ended September 30, | 2005 | 2004 | 2003 |
|--|---------------------|---------------------|---------------------|
| Net Income | \$ 1,057,631 | \$ 706,664 | \$ 502,830 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Increase in receivables, prepaid expenses and other | (91,286) | (99,389) | (49,205) |
| Advances of deferred sales commissions | (149,941) | (182,146) | (158,942) |
| Increase in other current liabilities | 246,527 | 83,797 | 50,643 |
| (Decrease) increase in provision for governmental investigations, proceedings and actions, net | (27,180) | 92,814 | |
| (Decrease) increase in deferred income taxes and taxes payable | (20,071) | 41,182 | (20,894) |
| Increase in commissions payable | 48,335 | 32,781 | 14,526 |
| Increase in accrued compensation and benefits | 65,384 | 110,555 | 30,367 |
| Originations of loans held for sale | (460,455) | (79,478) | |
| Net proceeds from securitization of loans held for sale | 239,775 | 294,996 | |
| Net change in trading securities | 2,579 | (215,950) | (4,677) |
| Equity in net income of affiliated companies | (30,659) | (20,605) | (6,934) |
| Depreciation and amortization | 212,173 | 183,437 | 177,420 |
| (Gains) losses on asset disposal, net and other | (3,603) | (18,993) | 1,280 |
| Net cash provided by operating activities | 1,089,209 | 929,665 | 536,414 |
| Purchase of investments | (1,239,878) | (2,408,179) | (2,332,937) |
| Liquidation of investments | 962,917 | 3,377,797 | 1,977,077 |
| Purchase of banking/finance investments | (100,717) | (41,049) | (275,407) |
| Liquidation of banking/finance investments | 123,890 | 127,012 | 439,264 |
| Net proceeds from securitization of loans receivable | | 179,965 | 442,961 |
| Net origination of loans receivable | 71,191 | (337,114) | (471,234) |
| Additions of property and equipment | (82,271) | (25,933) | (52,653) |
| Proceeds from sale of property and equipment | 7,346 | 4,677 | 2,494 |
| Acquisitions of subsidiaries, net of cash acquired | (37) | (68,255) | |
| Insurance proceeds related to September 11, 2001 event | | 32,487 | 10,643 |
| Net cash (used in) provided by investing activities | (257,559) | 841,408 | (259,792) |
| Decrease in bank deposits | (36,606) | (78,236) | (99,588) |
| Exercise of common stock options | 130,651 | 128,919 | 45,435 |
| Net put option premiums and settlements | | | 1,335 |
| Dividends paid on common stock | (598,659) | (82,006) | (75,441) |
| Purchase of common stock | (170,135) | (67,593) | (575,681) |
| Increase in debt | 40,957 | 276,913 | 523,627 |
| Payments on debt | (39,076) | (199,914) | (23,218) |
| Minority interest | 76,189 | 114,337 | |
| Net cash (used in) provided by financing activities | (596,679) | 92,420 | (203,531) |
| Increase in cash and cash equivalents | 234,971 | 1,863,493 | 73,091 |
| Cash and cash equivalents, beginning of year | 2,917,188 | 1,053,695 | 980,604 |
| Cash and Cash Equivalents, End of Year | \$ 3,152,159 | \$ 2,917,188 | \$ 1,053,695 |

[Table continued on next page]

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Table continued from previous page]

(in thousands)

| Years Ended September 30, | 2005 | 2004 | 2003 |
|--|------------|-----------|-----------|
| Supplemental Disclosure of Cash Flow Information | | | |
| Cash paid during the year for: | | | |
| Interest, including banking/finance group interest except inter-segment interest | \$ 44,687 | \$ 35,347 | \$ 19,260 |
| Income taxes, net of refunds | 371,662 | 238,730 | 142,799 |
| Supplemental Disclosure of Non-Cash Information | | | |
| Value of common stock issued, primarily restricted stock | \$ 119,322 | \$ 53,883 | \$ 28,465 |
| Total assets related to the net (deconsolidation) consolidation of certain sponsored investment products and a lessor trust | (97,044) | 71,961 | |
| Total liabilities related to the net (deconsolidation) consolidation of certain sponsored investment products and a lessor trust | (11,998) | (20,117) | |

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Note 1 Significant Accounting Policies**

We derive the majority of our operating revenues and net income from providing investment management, fund administration, shareholder services, transfer agency, underwriting, distribution, custodial, trustee and other fiduciary services (collectively investment management and related services) to the Franklin, Templeton, Mutual Series, Bissett, Fiduciary Trust and Darby Overseas funds, institutional, high net-worth and other investment accounts and products, collectively called our sponsored investment products. Services to our sponsored investment products are provided under contracts that set forth the level and nature of the fees to be charged for these services. The majority of our revenues relate to mutual fund products that are subject to contracts that are periodically reviewed and approved by each mutual fund's Board of Directors/Trustees and/or its shareholders.

Basis of Presentation. The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, which require us to estimate certain amounts. Actual amounts may differ from these estimates. Certain comparative amounts for prior years have been reclassified to conform to the fiscal year 2005 financial statement presentation.

The consolidated financial statements include the accounts of Franklin Resources, Inc. and its subsidiaries (Franklin Templeton Investments) consolidated under Financial Accounting Standards Board (FASB) Financial Accounting Standards No. 94, Consolidation of All Majority-Owned Subsidiaries (SFAS 94), and FASB Interpretation No. 46, Consolidation of Variable Interest Entities (revised December 2003) (FIN 46-R). All material inter-company accounts and transactions have been eliminated except that we have not eliminated the receivable from banking/finance group and payable to parent line items from our Consolidated Balance Sheets. These amounts relate to the funding of banking activities, including auto and credit card loan financing. In addition, the related inter-company interest expense is included in other, net revenue and the inter-company interest income is included in investment and other income in our Consolidated Statements of Income. This treatment provides additional information on funding sources available to the banking/finance group and on its operations.

Revision to September 30, 2004 Statement of Cash Flows. Beginning with the first quarter of 2005, the Company made certain revisions to the presentation of the consolidation activity of our sponsored investment products in the statement of cash flows. In connection with the preparation of the September 30, 2005 statement of cash flows, the Company determined that such revisions should also have been applied to the comparative 2004 fiscal year data included in the fiscal year 2005 financial statements. Specifically, in fiscal year 2004 the Company incorrectly classified certain transactions in the statement of cash flows related to the consolidation activities of our sponsored investment products. In the operating, investing and financing activities categories of the statement of cash-flows, the Company had included contributions from, and distributions to, minority interest in operating activities rather than financing activities and had included the impact of deconsolidation of certain of these sponsored investment products as an operating and investing cash activity rather than a non-cash transaction. The September 30, 2004 statement of cash flows included herein for comparison purposes has been revised to conform to the fiscal year 2005 presentation. The effect of this revision in classification was inconsequential to fiscal year 2004 cash flows from operating activities and immaterial to the fiscal year 2004 statement of cash flows. The revision in fiscal year 2004 classification had no effect upon the income statement or cash and cash equivalents, or upon net increase in cash and cash equivalents. However, it did change, in the aggregate, the total amounts reported for operating, investing and financing cash flows as presented on the fiscal year 2004 statement of cash flows as follows: a decrease in total net cash provided by operations of \$13.7 million; a decrease in total net cash provided by investing activities of \$100.3 million; and an increase in the total net cash provided from financing activities of \$114.0 million.

Cash and Cash Equivalents include demand deposits with banks, debt instruments with maturities of three months or less at the purchase date and other highly liquid investments, including money market funds, which are readily convertible into cash.

Investment Securities, Trading are carried at fair value with changes in fair value recognized in our consolidated net income. Trading securities include investments held by sponsored investment products that are consolidated in our financial statements.

Investment Securities, Available-for-Sale are carried at fair value. Realized gains and losses are included in investment income currently based on specific identification. Unrealized gains and losses are recorded net of tax as part of accumulated other comprehensive income until realized.

When the cost of an investment exceeds its fair value, we review the investment for an other-than-temporary decline in value. In making the determination of whether the decline is other-than-temporary, we use a systematic methodology that includes consideration of the duration and extent to which the fair value is less than cost, the financial condition of the investee, including industry and sector performance, and our intent and ability to hold the investment. When a decline in fair value of an available-for-sale security is determined to be other-than-temporary, the unrealized loss recorded net of tax in accumulated other comprehensive income is realized as a charge to net income.

Derivatives. Generally, we do not hold or issue derivative financial instruments for trading purposes. Periodically, we enter into interest-rate swap agreements to reduce variable interest-rate exposure in the banking/finance segment's borrowings, designated as cash flow hedges. From time to time, our banking/finance segment also enters into interest-rate swap agreements to hedge exposures or modify the interest rate characteristics of fixed-rate loans receivable and borrowings with maturities in excess of one year, designated as fair value hedges. During fiscal year 2005, we also entered into an interest rate swap agreement to reduce variable interest rate risk exposure in relation to our banking/finance variable funding note warehouse credit facility. These interest rate swaps do not meet hedging requirements under FASB Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and we therefore recognize related market gains (losses) in current income. At September 30, 2005, we held interest rate swaps with a total notional amount of \$302.0 million and these were reported at their fair value of \$0.7 million. At September 30, 2004, we held interest rate swaps with a total notional amount of \$51.7 million and these were reported at their fair value of \$1.4 million.

We periodically enter into spot and forward currency contracts as principal to facilitate client transactions and, on limited occasions, hold currency options for our own account. It is our policy that substantially all forward contracts be covered no later than the close of business each day. Gains or losses on these contracts are reflected in the Consolidated Statements of Income. The gross fair market value of all contracts outstanding that had a positive fair market value represents a credit exposure to the extent that counterparties fail to settle their contractual obligations. This risk is mitigated by the use of master netting agreements, careful evaluation of counterparty credit standings, diversification and limits. Credit exposure was not significant at September 30, 2005.

From time to time, we sell put options giving the purchaser the right to sell shares of our common stock to us at a specified price upon exercise of the options on the designated expiration dates if certain conditions are met. The likelihood that we will have to purchase our stock and the purchase price is contingent on the market value of our stock when the put option contract becomes exercisable. These put options are carried at fair value with changes in fair value recognized in our consolidated net income. At September 30, 2005 and 2004, there were no put options outstanding.

Loans Receivable. Our banking/finance group offers retail-banking and consumer lending services. We accrue interest on loans using the simple interest method. The majority of retail-banking loans are at variable rates, which are adjusted periodically. Loans originated and intended for sale are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance included in other, net revenues.

Allowance for Loan Losses. An allowance for probable loan losses on our consumer loan portfolio is maintained at a level sufficient to absorb probable losses inherent in our banking/finance segment loan portfolio. Probable losses are estimated for the consumer loan portfolio based on contractual delinquency status and historical loss experience. The allowance on our consumer portfolio is based on aggregated portfolio segment evaluations, generally by loan type, and reflects our judgment of portfolio risk factors such as economic conditions, bankruptcy trends, product mix, geographic concentrations and other similar items. A loan is charged to the allowance for probable loan losses when it is deemed to be uncollectible, taking into consideration the value of the collateral, the financial condition of the borrower and other factors. Recoveries on loans previously charged-off as uncollectible are credited to the allowance for probable loan losses.

We have not recorded an allowance for probable loan losses on our retail-banking loans and advances as these loans are generally payable on demand and are fully secured by assets under our custody. Advances on customers' accounts are generally secured or subject to rights of offset and, consistent with past experience, no loan losses are anticipated.

Past due loans 90 days or more in both our consumer lending and retail-banking portfolios are reviewed individually to determine whether they are collectible. If warranted, after considering collateral level and other factors, loans 90 days past due are placed on non-accrual status. Interest collections on non-accrual loans for which the ultimate collectibility of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received.

Investments, Other include investments that we intend to hold for a period in excess of one year at the time of purchase.

Investments are accounted for using the equity method of accounting if we are able to exercise significant influence, but not control, over the investee. Significant influence is generally considered to exist when an ownership interest in the voting stock of the investee is between 20% and 50%, although other factors, such as representation on the investee's board of directors and the impact of commercial arrangements, are also considered in determining whether the equity method of accounting is appropriate. Investments in limited partnerships and limited liability companies are accounted for using the equity method of accounting when our investment is considered to be more than minor.

Entities in which we hold in excess of 50% ownership interest are consolidated in our financial statements. We are also required to consolidate variable interest entities in relation to which we are the primary beneficiary as required by FIN 46-R.

Generally, long-term investments, such as debt instruments, are carried at fair value in accordance with our treatment of investment securities, available-for-sale if we are unable to exercise significant influence over the investee. These include collateralized debt obligations (CDOs), which are valued based on cash flow projections. Equity investments are accounted for under the cost method if we are not able to exercise significant influence over the investee and the securities are not marketable.

Investments, other are adjusted for other-than-temporary declines in value. When a decline in fair value of an investment carried at fair value is determined to be other-than-temporary, the unrealized loss recorded

net of tax in accumulated other comprehensive income is realized as a charge to net income. When a decline in fair value of an investment carried at cost is determined to be other-than-temporary, the investment is written down to fair value and the loss in indicated value is included in the determination of earnings.

Deferred Sales Commissions. Sales commissions paid to broker/dealers and other investment advisers in connection with the sale of shares of our mutual funds sold without a front-end sales charge are capitalized and amortized over periods not exceeding eight years the periods in which we estimate that they will be recovered from distribution plan payments or from contingent deferred sales charges.

Property and Equipment are recorded at cost and are depreciated on the straight-line basis over their estimated useful lives. Expenditures for repairs and maintenance are charged to expense when incurred. We amortize leasehold improvements on the straight-line basis over their estimated useful lives or the lease term, whichever is shorter.

Software Developed for Internal Use. Internal and external costs incurred in connection with developing or obtaining software for internal use are capitalized. These capitalized costs are included in property and equipment, net on our Consolidated Balance Sheets and are amortized beginning when the software project is complete and the application is put into production, over the estimated useful life of the software.

Goodwill and Other Intangible Assets. Intangible assets consist primarily of the estimated value of mutual fund investment management contracts and customer base resulting from our acquisition of the following companies:

Templeton, Galbraith & Hansberger Ltd. in October 1992

Heine Securities Corporation in November 1996

Bissett and Associates Investment Management Ltd. in October 2000

Fiduciary Trust Company International (Fiduciary Trust) in April 2001

Pioneer ITI AMC Limited in July 2002

Darby Overseas Investments, Ltd. and Darby Overseas Partners, L.P. (collectively Darby Overseas) in October 2003

We amortize intangible assets over their estimated useful lives, using the straight-line method, unless the asset is determined to have an indefinite useful life. Amounts assigned to indefinite-lived intangible assets primarily represent the value of contracts to manage mutual fund assets, for which there is no foreseeable limit on the contract period.

Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142), indefinite-lived intangible assets and goodwill are not amortized, but are reviewed when there is an indication of impairment, or at least annually, to determine whether the value of the assets is impaired.

When the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an indication of impairment exists. Fair value is determined based on anticipated discounted cash flows. Similarly, goodwill impairment is indicated when the carrying amount of a reporting unit exceeds its fair value. In estimating the fair value of the reporting unit, we use valuation techniques based on discounted cash flows similar to models employed in analyzing the purchase price of an acquisition target. If impairment of goodwill or

indefinite-lived intangible assets were indicated in the above tests, impairment is determined by calculating the difference between the carrying value of the asset reflected on the financial statements and its current fair value. Any excess of carrying value over the fair value would be recognized as an expense in the period in which the impairment occurs.

Intangible assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such a test were to indicate that the carrying value of the assets exceeded the undiscounted cash flow expected to result from their use and eventual disposition, an impairment loss would be recognized as the amount by which the carrying value of the assets exceeded their fair value.

Our goodwill and other intangible assets have been assigned to our investment management and related services operating segment.

Demand and Interest-Bearing Deposits. The fair values of demand deposits are considered to approximate their carrying amounts. Interest-bearing deposits are variable rate and short-term and, therefore, the carrying amounts approximate their fair values.

Revenues. We recognize fees for providing investment management and fund administration services (investment management fees), shareholder servicing fees and distribution fees as earned, over the period in which services are rendered. Performance-based investment management fees are recognized when earned. Investment management fees are generally determined based on a percentage of assets under management, except for performance-based investment management fees, which are based on performance targets established in the related investment management contracts. Generally, shareholder servicing fees are calculated based on the number and type of accounts serviced. We record underwriting commissions related to the sale of shares of our sponsored investment products on the trade date, while distribution fees are generally based on a percentage of assets under management.

Advertising and Promotion. We expense costs of advertising and promotion as incurred.

Foreign Currency Translation. Assets and liabilities of foreign subsidiaries are translated at current exchange rates as of the end of the accounting period, and related revenues and expenses are translated at average exchange rates in effect during the period. Net exchange gains and losses resulting from translation are excluded from income and are recorded as part of accumulated other comprehensive income. Foreign currency transaction gains and losses are reflected in income currently.

Dividends. For the fiscal years ended September 30, 2005, 2004, and 2003, we declared dividends to common stockholders of \$2.40, \$0.34 and \$0.30 per share. Dividends declared in fiscal year 2005 included a special dividend of \$2.00 per share.

Stock-Based Compensation. As permitted under the provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), we have elected to apply Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees , and related interpretations in accounting for our stock-based plans. Accordingly, no compensation costs are recognized with respect to stock options granted when the exercise price is equal to the market value of the stock, or with respect to shares issued under the Employee Stock Investment Plan (ESIP). We recognize compensation expense for the matching contribution that we may elect to make in connection with the ESIP over the 18-month holding period. We recognize restricted stock awards expense based on the value of our common stock at the date of grant, over the period in which the related services are rendered.

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If we had determined compensation costs for our stock option plans and our ESIP (see descriptions in Notes 15 and 16) based upon fair values at the grant dates in accordance with the provisions of SFAS 123, our net income and earnings per share would have been reduced to the pro forma amounts indicated below. For pro forma purposes, the estimated fair value of options was calculated using the Black-Scholes option-pricing model and is amortized over the options' vesting periods.

(in thousands except per share data)

| Years Ended September 30, | 2005 | 2004 | 2003 |
|--|---------------------|-------------------|-------------------|
| Net income, as reported | \$ 1,057,631 | \$ 706,664 | \$ 502,830 |
| Less: additional stock-based compensation expense determined under the fair value method, net of tax | 26,805 | 47,243 | 65,294 |
| Pro Forma Net Income | \$ 1,030,826 | \$ 659,421 | \$ 437,536 |
| Basic Earnings per Share | | | |
| As reported | \$ 4.22 | \$ 2.84 | \$ 1.98 |
| Pro forma | 4.12 | 2.65 | 1.72 |
| Adjusted net income in accordance with EITF 04-8, as reported | 1,066,747 | 715,263 | 511,481 |
| Less: stock-based compensation expense determined under the fair value method, net of tax | 26,805 | 47,243 | 65,294 |
| Pro Forma Net Income | \$ 1,039,942 | \$ 668,020 | \$ 446,187 |
| Diluted Earnings per Share | | | |
| As reported | \$ 4.06 | \$ 2.75 | \$ 1.95 |
| Pro forma | 3.96 | 2.57 | 1.70 |

The weighted-average estimated fair value of options granted on the date of grant using Black-Scholes option-pricing model was as follows:

| Years Ended September 30, | 2005 | 2004 | 2003 |
|--|-----------|-----------|-----------|
| Weighted-average fair value of options granted | \$15.87 | \$25.62 | \$14.67 |
| Assumptions made: | | | |
| Dividend yield | 0.5% | 0.6% | 0.8% |
| Expected volatility | 33.0% | 47.0% | 40.0% |
| Risk-free interest rate | 3.2% | 3.8% | 3.4% |
| Expected life | 3.7 years | 7.5 years | 7.4 years |

Accumulated Other Comprehensive Income is reported in our consolidated statements of stockholders' equity and includes net income, minimum pension liability adjustment, unrealized gains (losses) on investment securities available-for-sale, net of income taxes, and currency translation adjustments.

The changes in net unrealized gains (losses) on investment securities include reclassification adjustments relating to the net realized gains on the sale of investment securities, available for sale and other of \$4.8 million, \$24.0 million and \$9.3 million during fiscal years 2005, 2004, and 2003. The tax effect of the change in unrealized gains (losses) on investment securities was \$2.2 million, \$1.8 million and \$1.5 million during fiscal years 2005, 2004, and 2003.

Earnings per share. We computed earnings per share for the years ended September 30, 2005, 2004 and 2003 as follows:

| <i>(in thousands except per share data)</i> | 2005 | 2004 | 2003 |
|---|----------------|----------------|----------------|
| Net income | \$ 1,057,631 | \$ 706,664 | \$ 502,830 |
| Add: Interest and discount amortization on zero coupon convertible senior notes, net of taxes | 9,116 | 8,599 | 8,651 |
| Adjusted net income in accordance with EITF 04-08 | 1,066,747 | 715,263 | 511,481 |
| Weighted-average shares outstanding basic | 250,472 | 249,166 | 253,714 |
| Incremental shares from assumed conversions: | | | |
| Common stock options and restricted performance shares | 3,935 | 2,986 | 967 |
| Zero coupon convertible senior notes | 8,154 | 8,154 | 8,154 |
| Weighted-Average Shares Outstanding Diluted | 262,561 | 260,306 | 262,835 |
| Basic Earnings per Share | | | |
| Income before cumulative effect of an accounting change | \$ 4.22 | \$ 2.82 | \$ 1.98 |
| Cumulative effect of an accounting change | | 0.02 | |
| Net | \$ 4.22 | \$ 2.84 | \$ 1.98 |
| Diluted Earnings per Share | | | |
| Income before cumulative effect of an accounting change | \$ 4.06 | \$ 2.73 | \$ 1.95 |
| Cumulative effect of an accounting change | | 0.02 | |
| Net | \$ 4.06 | \$ 2.75 | \$ 1.95 |

Note 2 New Accounting Standards

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) on Issue 04-5, Determining Whether a General Partner, or the General Partners as a Group, controls a Limited Partnership or similar Entity When the Limited Partners Have Certain Rights. This EITF requires that a general partner of a limited partnership is presumed to control the limited partnership, unless the limited partners have substantive termination rights or participating rights. This guidance is effective for all general partners of all new limited partnerships formed and for existing limited partnerships for which the partnership agreements are modified after June 29, 2005. For general partners in all other limited partnerships, this consensus is effective for fiscal years beginning after December 15, 2005 and is not expected to materially impact our Consolidated Financial Statements.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS 154), which changes the requirement for the accounting and reporting of a change in accounting principle. SFAS 154 eliminates the requirement in APB Opinion No. 20, Accounting Changes, to include the cumulative effect of changes in accounting principle in the income statement in the period of change. Instead, to enhance the comparability of prior period financial statements, SFAS 154 requires that changes in accounting principles are retrospectively applied, unless directed otherwise by a new pronouncement. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 is not expected to have a material impact on our Consolidated Financial Statements.

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In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R addresses the accounting for share-based

payment transactions in which an enterprise receives employee services in exchange for equity instruments of the enterprise. It also addresses transactions in which an entity incurs liabilities in exchange for goods and services that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The revised statement generally requires that an entity account for those transactions using the fair-value-based method, and eliminates the intrinsic value method of accounting in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123R requires an entity to recognize the grant-date fair-value of stock options and other equity-based compensation issued to employees in the income statement. SFAS 123R also requires entities to disclose information about the nature of the share-based payment transactions, the method used to estimate fair value of goods and services received or the value of the equity instruments granted, and the effects of those transactions on the financial statements. On April 14, 2005, the U. S. Securities and Exchange Commission (the SEC) announced that SFAS 123R is to be effective for fiscal years beginning after June 15, 2005 for entities other than small business issuers, and applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. The revised statement also applies to the portion of outstanding awards for which the requisite service has not yet been rendered based on the grant-date value of these awards. Retrospective application is permitted. The SEC issued Staff Accounting Bulletin 107

Share-Based Payment (SAB 107) in March 2005 that interprets the interaction of SFAS 123R and certain SEC rules that must be applied on the adoption of SFAS 123R. We will adopt SFAS 123R and SAB 107, using modified prospective application, for fiscal year 2006 in the quarter ended December 31, 2005. Our adoption of SFAS 123R and SAB 107 is not expected to materially impact our Consolidated Financial Statements.

In December 2004, the FASB issued Staff Position No. 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* (FSP FAS 109-2). The American Jobs Creation Act of 2004 (the Jobs Act) was signed into law on October 22, 2004. Under a provision of the Jobs Act, we may elect to repatriate certain earnings of our foreign-based subsidiaries at a reduced U.S. federal tax rate in either of our fiscal years ended September 30, 2005 or ending September 30, 2006. FSP FAS 109-2 provides guidance on when an enterprise should recognize in its financial statements the effects of the one-time tax benefit of repatriation of foreign earnings under the Jobs Act, and specifies interim disclosure requirements. We are currently evaluating the effect of the repatriation provision under the Jobs Act. We expect to complete this evaluation no earlier than the second quarter of fiscal year 2006. The range of possible amounts we are considering for repatriation is between zero and \$1,983 million, and the potential range of federal and state income tax associated with these amounts, which are subject to a reduced tax rate, is between zero and \$117.0 million.

In October 2004, EITF Issue No. 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings per Share* (EITF 04-8), was ratified. EITF 04-8 was effective for reporting periods ending after December 15, 2004 and required the restatement of diluted earnings per share for comparative prior year periods. EITF 04-8 required us to include the potential conversion into common stock of our Liquid Yield Option Notes due 2031 (Zero Coupon-Senior) (see Note 11) in the calculation of diluted earnings per share, even if the conditions that must be satisfied to allow conversion have not been met. Its adoption resulted in a decrease in diluted earnings per share of \$0.10, \$0.05 and \$0.02 for each of the fiscal years ended September 30, 2005, 2004 and 2003, respectively.

Note 3 Acquisitions

On October 1, 2003, we acquired the remaining 87.3% interest in Darby Overseas that we did not own for an additional cash investment of approximately \$75.9 million. The acquisition cost was allocated to tangible net assets acquired (\$31.3 million), definite-lived investment management contracts (\$3.4 million) and goodwill (\$41.2 million). The definite-lived intangible assets relate to investment management contracts

and are being amortized over the remaining contractual life of the sponsored investment products, ranging from one to eight years, as of the date of purchase. At September 30, 2003, Darby Overseas had approximately \$0.9 billion in assets under management relating to private equity, mezzanine and emerging markets fixed-income products.

We have not presented pro forma combined results of operations for these acquisitions because the results of operations as reported in the accompanying Consolidated Statements of Income would not have been materially different.

Note 4 Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2005 and 2004 consisted of the following:

| <i>(in thousands)</i> | 2005 | 2004 |
|--|---------------------|---------------------|
| Cash and due from banks | \$ 373,699 | \$ 341,891 |
| Federal funds sold and securities purchased under agreements to resell | 21,065 | 62,253 |
| Money market funds, time deposits and other | 2,757,395 | 2,513,044 |
| Total | \$ 3,152,159 | \$ 2,917,188 |

Federal Reserve Board regulations require reserve balances on deposits to be maintained with the Federal Reserve Banks by banking subsidiaries. The required reserve balance was \$1.9 million at September 30, 2005 and 2004.

Note 5 Investment Securities and Other Investments

Investment securities at September 30, 2005 and 2004 consisted of the following:

| <i>(in thousands)</i> | Amortized | Gross Unrealized | | Fair |
|---|------------|------------------|----------|------------|
| | Cost | Gains | Losses | Value |
| 2005 | | | | |
| Current | | | | |
| Investment securities, trading | \$ 234,019 | \$ 20,985 | \$ (254) | \$ 254,750 |
| Investment securities, available-for-sale | | | | |
| Sponsored investment products | 356,617 | 65,499 | (3,996) | 418,120 |
| Mortgage-backed securities | 188,270 | 711 | (947) | 188,034 |
| Securities of U.S. states and political subdivisions | 22,026 | 115 | (189) | 21,952 |
| Securities of U.S. Treasury, federal agencies and other | 226,799 | 269 | (234) | 226,834 |
| Equities | 2,551 | 821 | (6) | 3,366 |

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| | | | | |
|---|---------------------|------------------|-------------------|---------------------|
| Total investment securities, available-for-sale | 796,263 | 67,415 | (5,372) | 858,306 |
| Total | \$ 1,030,282 | \$ 88,400 | \$ (5,626) | \$ 1,113,056 |
| Non-Current: | | | | |
| Investments, other | | | | |
| Mortgage-backed securities | \$ 3,860 | \$ | \$ (109) | \$ 3,751 |
| Securities of U.S. states and political subdivisions | 126,806 | 14 | (1,257) | 125,563 |
| Securities of U.S. Treasury, federal agencies and other | 7,283 | 1,067 | (47) | 8,303 |
| Investment in equity-method investees | 214,076 | 94 | (175) | 213,995 |
| Equities and other | 79,699 | 26,963 | (5,443) | 101,219 |
| Total | \$ 431,724 | \$ 28,138 | \$ (7,031) | \$ 452,831 |

| <i>(in thousands)</i> | Amortized | Gross Unrealized | | Fair |
|---|-------------------|------------------|--------------------|-------------------|
| | Cost | Gains | Losses | Value |
| 2004 | | | | |
| Current | | | | |
| Investment securities, trading | \$ 248,536 | \$ 11,076 | \$ (2,283) | \$ 257,329 |
| Investment securities, available-for-sale | | | | |
| Sponsored investment products | 300,251 | 35,076 | (14,403) | 320,924 |
| Mortgage-backed securities | 108,893 | 1,809 | (262) | 110,440 |
| Securities of U.S. states and political subdivisions | 16,379 | 456 | (10) | 16,825 |
| Securities of U.S. Treasury, federal agencies and other | 233,858 | 2,230 | (164) | 235,924 |
| Equities | 13,866 | 561 | (5) | 14,422 |
| Total investment securities, available-for-sale | 673,247 | 40,132 | (14,844) | 698,535 |
| Total | \$ 921,783 | \$ 51,208 | \$ (17,127) | \$ 955,864 |
| Non-Current | | | | |
| Investments, other | | | | |
| Mortgage-backed securities | \$ 3,860 | \$ | \$ (30) | \$ 3,830 |
| Securities of U.S. states and political subdivisions | 98,704 | 277 | (165) | 98,816 |
| Securities of U.S. Treasury, federal agencies and other | 7,340 | 1,110 | (3) | 8,447 |
| Investment in equity-method investees | 193,699 | | | 193,699 |
| Equities and other | 56,788 | 28,505 | (1,266) | 84,027 |
| Total | \$ 360,391 | \$ 29,892 | \$ (1,464) | \$ 388,819 |

Investments, other included investments that we intend to hold for a period in excess of one year. Investments in equity method investees include investment partnerships where we have significant influence. Equities and other investments include debt, including CDOs, and other securities with a determinable fair value as well as certain equity investments carried at cost.

Gross unrealized losses on investment securities, available-for-sale and investments, other at September 30, 2005 were deemed to be temporary in nature. See Note 1 for a description of our investments valuation methodology.

As of September 30, 2005 and 2004, banking/finance operating segment investment securities with aggregate carrying values of \$50.7 million and \$24.1 million were pledged as collateral as required by federal and state regulators and the Federal Home Loan Bank.

At September 30, 2005, maturities of securities of the U.S. Treasury and federal agencies and the U.S. states and political subdivisions were as follows:

| <i>(in thousands)</i> | Amortized Cost | Fair Value |
|---|----------------|------------|
| Securities of U.S. Treasury and federal agencies | | |
| Due in one year or less | \$ 202,885 | \$ 202,936 |

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| | | |
|--|-------------------|-------------------|
| Due after one year through five years | 12,435 | 12,202 |
| Due after five years through ten years | 693 | 874 |
| Due after ten years | 18,069 | 19,125 |
| | <hr/> | <hr/> |
| Total | \$ 234,082 | \$ 235,137 |
| | <hr/> | <hr/> |

| <i>(in thousands)</i> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|---|-----------------------|-------------------|
| Securities of U.S. states and political subdivisions | | |
| Due in one year or less | \$ 14,914 | \$ 14,786 |
| Due after one year through five years | 30,821 | 30,556 |
| Due after five years through ten years | 92,287 | 91,404 |
| Due after ten years | 10,810 | 10,769 |
| Total | \$ 148,832 | \$ 147,515 |

Note 6 Loans and Allowance for Loan Losses

A summary of banking/finance operating segment loans receivable by major category as of September 30, 2005 and 2004 is shown below. Included in installment loans to individuals are auto and credit card receivables. Other loans include secured loans made to Fiduciary Trust clients. No loan loss allowance is recognized on Fiduciary Trust's retail-banking loans and advances as described in Note 1.

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> |
|-------------------------------------|-------------------|-------------------|
| Real estate (subject to collateral) | \$ 270 | \$ 796 |
| Installment loans to individuals | 302,891 | 81,685 |
| Loans Held for Sale, Net | \$ 303,161 | \$ 82,481 |
| Commercial | \$ 37,501 | \$ 60,979 |
| Real estate (subject to collateral) | 36,966 | 48,426 |
| Installment loans to individuals | 175,214 | 205,403 |
| Other | 17,500 | 23,565 |
| Loans receivable | 267,181 | 338,373 |
| Less: allowance for loan losses | (2,906) | (3,697) |
| Loans Receivable, Net | \$ 264,275 | \$ 334,676 |

Maturities of loans at September 30, 2005 were as follows:

| <i>(in thousands)</i> | <u>One Year or Less</u> | <u>After 1 Through 5 Years</u> | <u>After 5 Years</u> | <u>Total</u> |
|-------------------------------------|-------------------------|------------------------------------|--------------------------|--------------|
| Commercial | \$ 37,501 | \$ | \$ | \$ 37,501 |
| Real estate (subject to collateral) | | 4,541 | 32,425 | 36,966 |
| Installment loans to individuals | 154,756 | 13,185 | 7,273 | 175,214 |
| Other | 15,800 | 1,700 | | 17,500 |

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| | | | | |
|--------------|-------------------|------------------|------------------|-------------------|
| Total | \$ 208,057 | \$ 19,426 | \$ 39,698 | \$ 267,181 |
|--------------|-------------------|------------------|------------------|-------------------|

The following table summarizes contractual maturities of loans due after one year by repricing characteristic at September 30, 2005:

| <u>(in thousands)</u> | <u>Carrying Amount</u> |
|---------------------------------------|------------------------|
| Loans at predetermined interest rates | \$ 16,204 |
| Loans at floating or adjustable rates | 42,920 |
| Total | \$ 59,124 |

Changes in the allowance for loan losses during fiscal years 2005 and 2004 were as follows:

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> |
|---|-----------------|-----------------|
| Balance, beginning of year | \$ 3,697 | \$ 8,550 |
| Provision for loan losses | 1,411 | 5,201 |
| Charge-offs | (3,589) | (6,767) |
| Recoveries | 1,833 | 2,040 |
| Total allowance for loan losses before other adjustments | 3,352 | 9,024 |
| Loans securitized | (446) | (6,166) |
| Dealer holdback and other | | 839 |
| Balance, End of Year | \$ 2,906 | \$ 3,697 |
| Total net loan charge-offs as a percentage of average total loans | 0.67% | 1.86% |
| Allowance as a percentage of total loans | 0.71% | 1.76% |

The following is a summary of delinquency information for fiscal years 2005, 2004, and 2003:

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-------------|-------------|-------------|
| Commercial loans, 90 days or more delinquent | \$ | \$ | \$ 13,063 |
| Installment loans, 90 days or more delinquent | 22 | 3,100 | 897 |
| Non-accrual loans | 291 | 435 | 510 |

Note 7 Securitization of Loans Receivable

From time to time, we enter into auto loan securitization transactions with qualified special purpose entities and record these transactions as sales. The following table shows details of auto loan securitization transactions for the fiscal years ended September 30, 2005, 2004, and 2003:

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|---------------|-----------------|------------------|
| Gross sale proceeds | \$ 231,570 | \$ 471,773 | \$ 439,850 |
| Less: net carrying amount of loans held for sale | 230,581 | 465,431 | 422,150 |
| Pre-Tax Gain | \$ 989 | \$ 6,342 | \$ 17,700 |

When we sell auto loans in a securitization transaction, we record an interest-only strip receivable. The interest-only strip receivable represents our contractual right to receive interest from the pool of securitized loans after the payment of required amounts to holders of the securities and certain other costs associated with the securitization. In December 2005, we entered into an auto loan securitization transaction for the sale of loans held for sale with a carrying value of approximately \$348.2 million, which included loans held by a special purpose statutory trust (the Trust) organized in fiscal year 2005 to hold our loans held for sale and issue notes under a variable funding note warehouse facility. Total pre-tax gain recorded on this sale was approximately \$0.9 million including a gain on the interest rate swap, net of market gains already

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recognized in income during fiscal year 2005.

We generally estimate fair value based on the present value of future expected cash flows. The key assumptions used in the present value calculations of our securitization transactions at the date of securitization were as follows:

| | 2005 | | 2004 | | 2003 | |
|---|-------|------|-------|------|-------|------|
| Excess cash flow discount rate (annual rate) | 12.0% | | 12.0% | | 12.0% | |
| Cumulative life loss rate | 3.2% | 3.7% | 3.2% | 3.4% | 3.7% | 4.3% |
| Pre-payment speed assumption (average monthly rate) | 1.5% | | 1.6% | 1.8% | 1.8% | 1.9% |

We determined these assumptions using data from comparable transactions, historical information and management's estimate. Interest-only strip receivables are generally restricted assets and subject to limited recourse provisions.

We generally estimate the fair value of the interest-only strips at each period-end based on the present value of future expected cash flows, consistent with the methodology used at the date of securitization. The following shows the carrying value and the sensitivity of the interest-only strip receivable to hypothetical adverse changes in the key economic assumptions used to measure fair value:

| <i>(in thousands)</i> | 2005 | 2004 |
|--|-------------|-------------|
| <i>Carrying amount/fair value of interest-only strips</i> | \$ 19,126 | \$ 31,808 |
| <i>Excess cash flow discount rate (annual rate)</i> | 12.0% | 12.0% |
| Impact on fair value of 10% adverse change | \$ (209) | \$ (240) |
| Impact on fair value of 20% adverse change | (413) | (476) |
| <i>Cumulative life loss rate</i> | 3.5% | 3.9% |
| Impact on fair value of 10% adverse change | \$ (1,804) | \$ (2,677) |
| Impact on fair value of 20% adverse change | (3,607) | (5,354) |
| <i>Pre-payment speed assumption (average monthly rate)</i> | 1.9% | 1.8% |
| Impact on fair value of 10% adverse change | \$ (2,000) | \$ (3,479) |
| Impact on fair value of 20% adverse change | (3,823) | (6,894) |

Actual future market conditions may differ materially. Accordingly, this sensitivity analysis should not be considered our projections of future events or losses.

We receive annual servicing fees ranging from 1% to 2% of the loans securitized for services we provide to the securitization trusts. The following is a summary of cash flows received from and paid to securitization trusts.

| <i>(in thousands)</i> | 2005 | 2004 | 2003 |
|---|-------------|-------------|-------------|
| Servicing fees received | \$ 13,155 | \$ 13,435 | \$ 10,598 |
| Interest-only strip cash flows received | 21,669 | 24,703 | 18,283 |
| Purchase of loans from trusts | (12,333) | (11,889) | (10,804) |

Amounts payable to the trustee related to loan principal and interest collected on behalf of the trusts of \$44.7 million as of September 30, 2005 and \$40.6 million as of September 30, 2004 are included in other banking/finance liabilities.

The securitized loan portfolio that we manage and the related delinquencies were as follows:

| <i>(in thousands)</i> | 2005 | 2004 |
|---|-------------|-------------|
| Securitized loans held by securitization trusts | \$ 577,696 | \$ 768,936 |
| Delinquencies | 12,909 | 13,301 |

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Net charge-offs on the securitized loan portfolio were \$13.1 million in fiscal year 2005, \$15.1 million in fiscal year 2004 and \$12.6 million in fiscal year 2003.

Note 8 Property and Equipment

The following is a summary of property and equipment at September 30, 2005 and 2004:

| <i>(in thousands)</i> | <u>Useful Lives in Years</u> | <u>2005</u> | <u>2004</u> |
|---|------------------------------|--------------------------|--------------------------|
| Furniture, software and equipment | 3 5 | \$ 612,100 | \$ 563,156 |
| Premises and leasehold improvements | 5 35 | 393,263 | 377,941 |
| Land | | 71,500 | 71,267 |
| | | <u>1,076,863</u> | <u>1,012,364</u> |
| Less: Accumulated depreciation and amortization | | (587,497) | (541,786) |
| Property and Equipment, Net | | <u>\$ 489,366</u> | <u>\$ 470,578</u> |

Note 9 Goodwill and Other Intangible Assets

We adopted FASB Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141) and SFAS 142 on October 1, 2001. SFAS 141 and SFAS 142 address the initial recognition and measurement of intangible assets acquired and the recognition and measurement of goodwill and other intangible assets after acquisition. Under these standards, all goodwill and indefinite-lived intangible assets, including those acquired before initial application of the standards, are no longer amortized but are tested for impairment at least annually.

All of our goodwill and intangible assets, including those arising from the purchase of Fiduciary Trust in April 2001, relate to our investment management and related services operating segment. Non-amortized intangible assets represent the value of investment management contracts related to certain of our sponsored investment products that are indefinite-lived.

During the quarter ended March 31, 2005, we completed our annual impairment testing of goodwill and indefinite-lived intangible assets and we determined that there was no impairment in the value of these assets as of October 1, 2004.

Intangible assets other than goodwill were as follows:

| <i>(in thousands)</i> | <u>Gross Carrying</u> | <u>Accumulated</u> | <u>Net Carrying</u> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>Amount</u> | <u>Amortization</u> | <u>Amount</u> |
| Balance, September 30, 2005 | | | |
| Amortized intangible assets | | | |
| Customer base | \$ 233,737 | \$ (70,481) | \$ 163,256 |
| Other | 34,933 | (23,624) | 11,309 |
| | <u> </u> | <u> </u> | <u> </u> |

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| | | | |
|------------------------------------|-------------------|--------------------|-------------------|
| | 268,670 | (94,105) | 174,565 |
| Non-amortized intangible assets | | | |
| Investment management contracts | 482,028 | | 482,028 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | \$ 750,698 | \$ (94,105) | \$ 656,593 |
| | <u> </u> | <u> </u> | <u> </u> |
| Balance, September 30, 2004 | | | |
| Amortized intangible assets | | | |
| Customer base | \$ 233,205 | \$ (54,716) | \$ 178,489 |
| Other | 34,933 | (21,730) | 13,203 |
| | <u> </u> | <u> </u> | <u> </u> |
| | 268,138 | (76,446) | 191,692 |
| Non-amortized intangible assets | | | |
| Investment management contracts | 479,808 | | 479,808 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | \$ 747,946 | \$ (76,446) | \$ 671,500 |
| | <u> </u> | <u> </u> | <u> </u> |

The change in the carrying amount of goodwill during the fiscal year ended September 30, 2005 was as follows:

| | |
|------------------------------------|---------------------|
| <i>(in thousands)</i> | |
| Balance, October 1, 2004 | \$ 1,381,757 |
| Foreign currency movements | 9,094 |
| Balance, September 30, 2005 | \$ 1,390,851 |

Estimated amortization expense for each of the next 5 fiscal years is as follows:

| | |
|-----------------------|-----------------------------|
| | For the Years Ending |
| | September 30, |
| <i>(in thousands)</i> | |
| 2006 | \$ 17,053 |
| 2007 | 17,053 |
| 2008 | 17,053 |
| 2009 | 17,053 |
| 2010 | 17,053 |

Note 10 Deposits

Deposits at September 30, 2005 and 2004 were as follows:

| | | |
|--------------------------------|-------------------|-------------------|
| <i>(in thousands)</i> | 2005 | 2004 |
| Domestic | | |
| Interest-bearing | \$ 437,554 | \$ 493,238 |
| Noninterest-bearing | 81,586 | 62,508 |
| Total domestic deposits | 519,140 | 555,746 |
| Foreign | | |
| Interest-bearing | | |
| Noninterest-bearing | | |
| Total foreign deposits | | |
| Total | \$ 519,140 | \$ 555,746 |

Maturities of time certificates in amounts of \$100,000 or more at September 30, 2005 were:

| <i>(in thousands)</i> | Total |
|---------------------------------|-----------------|
| 3 months or less | \$ 2,619 |
| Over 3 months through 6 months | 1,986 |
| Over 6 months through 12 months | 1,234 |
| Over 12 months | 400 |
| Total | \$ 6,239 |

Note 11 Debt

Outstanding debt at September 30, 2005 and September 30, 2004 consisted of the following:

| <i>(in thousands)</i> | <u>2005</u> | <u>2005 Weighted Average Rate</u> | <u>2004</u> | <u>2004 Weighted Average Rate</u> |
|--|----------------------------|---------------------------------------|----------------------------|---------------------------------------|
| Current | | | | |
| Federal funds purchased | \$ | 2.45% | \$ | 1.60% |
| Federal Home Loan Bank advances | | 4.05% | 6,000 | 1.24% |
| Variable Funding Note | 239,222 | 3.73% | | |
| Commercial paper | 169,389 | 3.58% | 169,633 | 1.82% |
| | <u>408,611</u> | | <u>175,633</u> | |
| Non-Current | | | | |
| Convertible Notes (including accrued interest) | 540,107 | 1.88% | 530,120 | 1.88% |
| Medium Term Notes | 420,000 | 3.70% | 420,000 | 3.70% |
| Other | 248,283 | | 246,289 | |
| | <u>1,208,390</u> | | <u>1,196,409</u> | |
| Total Debt | <u>\$ 1,617,001</u> | | <u>\$ 1,372,042</u> | |

As of September 30, 2005, maturities of long-term debt were as follows:

| <i>(in thousands)</i> | <u>Carrying Amount</u> |
|-----------------------------|----------------------------|
| 2006 | \$ 40,234 |
| 2007 | 41,021 |
| 2008 | 461,826 |
| 2009 | 42,648 |
| 2010 | 37,542 |
| Thereafter | 585,119 |
| Total Long-Term Debt | <u>\$ 1,208,390</u> |

Federal funds purchased and Federal Home Loan Bank advances are included in other liabilities of the banking/finance operating segment.

On December 31, 2003, we recognized as a liability a \$164.9 million five-year note facility that was used to finance the construction of our corporate headquarters campus under the guidance of FIN 46-R. In September 2004, we purchased the headquarter campus from the lessor trust that held these assets, and we issued \$170.0 million of commercial paper to finance the transaction.

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In May 2001, we received approximately \$490.0 million in net proceeds from the sale of \$877.0 million principal amount at maturity of Liquid Yield Option Notes due 2031 (Zero Coupon Senior) (the Convertible Notes). The issue price of the Convertible Notes, which were offered to qualified institutional buyers only, represented a yield to maturity of 1.875% per annum excluding any contingent interest. Each of the \$1,000 (principal amount at maturity) Convertible Notes will become convertible prior to maturity into 9.3604 shares of our common stock (subject to adjustment) following the occurrence of certain specified triggering events. In particular, the Convertible Notes will become convertible if, during any calendar quarter, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than a specified percentage (initially 120% as of the third quarter of fiscal year 2001 and declining 0.084% each quarter thereafter) of the accreted conversion price per share of our common stock on the last trading day of the preceding calendar quarter. Based on this formula, the Convertible Notes were not convertible during

the quarter ended September 30, 2005. However, holders may convert their Convertible Notes during the quarter ending December 31, 2005 because the closing sale price of our common stock during the quarter ended September 30, 2005 for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the quarter was more than \$78.34 (118.57% of \$66.07, which was the accreted conversion price per share of our common stock on the last trading day of the quarter). At December 1, 2005, \$1.2 million of these notes have been tendered for conversion.

The Convertible Notes also will become convertible prior to maturity if: (i) the assigned credit rating by Moody's or Standard and Poor's of the Convertible Notes is at or below Baa2 or BBB, respectively; (ii) the Convertible Notes are called for redemption; or (iii) certain specified corporate transactions have occurred. Separately, we will pay contingent interest to the holders of Convertible Notes during any six-month period commencing May 12, 2006 if the average market price of a Convertible Note for a measurement period preceding such six-month period equals 120% or more of the sum of the issue price and accrued original issue discount. Through September 30, 2005, holders have put to us and we have repurchased Convertible Notes with a face value of \$5.9 million principal amount at maturity, for their accreted value of \$3.5 million, in cash. We may redeem the remaining Convertible Notes for cash on or after May 11, 2006 or, at the option of the holders, we may be required to make additional repurchases on May 11 in each of 2006, 2011, 2016, 2021 and 2026. In this event, we may choose to pay the accreted value of the Convertible Notes in cash or shares of our common stock. The amount that the holders may redeem in the future will depend on, among other factors, the performance of our common stock.

In April 2003, we completed the sale of five-year senior notes due April 15, 2008 totaling \$420.0 million (Medium Term Notes). The Medium Term Notes, which were offered to qualified institutional buyers only, carry an interest rate of 3.7% and are not redeemable prior to maturity by either the note holders or us. Interest payments are due semi-annually.

Other long-term debt consists primarily of deferred commission liability recognized in relation to U.S. deferred commission assets financed by Lightning Finance Company Limited (LFL) that were not sold by LFL in a securitization transaction as of September 30, 2005 and September 30, 2004.

In March 2005, our subsidiary Franklin Capital Corporation, which engages in the purchase, securitization and servicing of retail installment sales contracts, entered into definitive agreements to create a new one-year revolving \$250.0 million variable funding note warehouse credit facility. Under these agreements, and through the Trust (see Note 7), we issued a variable funding note (Variable Funding Note) payable to certain administered conduits in the amount of up to \$250.0 million. Security for the repayment of the Variable Funding Note consists of cash and/or a pool of automobile loans that meet certain eligibility requirements. Credit enhancement for the Variable Funding Note require us to provide as collateral loans held for sale with a fair value in excess of the Variable Funding Note, as well as to hold in trust additional cash balances to cover certain shortfalls. In addition, we provide a payment provider commitment in an amount not to exceed 4.66% of the pool balance. Directly and through the Trust, which is consolidated in our results of operations, we have also entered into interest rate swap agreements to mitigate the interest rate risk between the fixed interest rate on the pool of automobile loans and the floating interest rate being paid on the Variable Funding Note.

As of September 30, 2005, we had \$300.0 million of debt and equity securities available to be issued under a shelf registration statement filed with the SEC and \$330.0 million of additional commercial paper available for issuance. On June 10, 2005, we entered into a \$420.0 million Five Year Facility Credit Agreement with certain banks and financial institutions. The Five Year Facility Credit Agreement replaced our \$210.0 million 364-day revolving credit facility, which matured by its terms on June 2, 2005, and our \$210.0 million five-year revolving credit facility, which was terminated on June 10, 2005, prior to its

scheduled expiration date of June 6, 2007. In addition, at September 30, 2005, our banking/finance operating segment had \$345.0 million in available uncommitted short-term bank lines under the Federal Reserve Funds system, the Federal Reserve Bank discount window, and Federal Home Loan Bank short-term borrowing capacity.

Note 12 Taxes on Income

Taxes on income for the fiscal years ended September 30, 2005, 2004, and 2003 were as follows:

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-------------------|-------------------|-------------------|
| Current expense | | | |
| Federal | \$ 239,414 | \$ 208,189 | \$ 125,743 |
| State | 24,628 | 35,247 | 13,846 |
| Foreign | 67,901 | 54,894 | 31,329 |
| Deferred expense | 31,281 | (6,349) | 26,455 |
| Total Provision for Income Taxes | \$ 363,224 | \$ 291,981 | \$ 197,373 |

Included in income before taxes was \$579.6 million, \$477.4 million and \$305.2 million of pre-tax foreign income for the fiscal years ended September 30, 2005, 2004, and 2003. The provision for U.S. income taxes includes benefits of \$5.6 million for the fiscal year ended September 30, 2005 related to the utilization of net operating loss carry-forwards. In fiscal year 2005, our income taxes payable for federal, state and foreign purposes have been reduced by \$24.1 million, which represent the tax benefit associated with our stock plans. The benefit was recorded as an increase in capital in excess of par value.

The major components of the net deferred tax liability as of September 30, 2005 and 2004 were as follows:

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> |
|---|----------------|----------------|
| Deferred Tax Assets | | |
| State taxes | \$ 9,456 | \$ 10,455 |
| Loan loss reserves | 2,114 | 1,365 |
| Deferred compensation and employee benefits | 22,313 | 26,730 |
| Restricted stock compensation plan | 37,159 | 37,351 |
| Severance and retention compensation | 1,141 | 2,140 |
| Net operating loss and foreign tax credit carry-forwards | 50,412 | 80,094 |
| Provision for governmental investigations, proceedings and actions, net | 14,103 | 21,593 |
| Other | 11,562 | 16,748 |
| Total deferred tax assets | 148,260 | 196,476 |
| Valuation allowance for net operating losses and foreign tax credits carry-forwards | (39,490) | (80,094) |
| Deferred tax assets, net of valuation allowance | 108,770 | 116,382 |
| Deferred Tax Liabilities | | |
| Depreciation on fixed assets | 18,951 | 12,378 |

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| | | |
|--|---------------------|---------------------|
| Goodwill and other purchased intangibles | 165,550 | 161,232 |
| Deferred commissions | 20,981 | 18,442 |
| Interest expense on convertible notes | 41,070 | 31,196 |
| Investments | 1,340 | 5,418 |
| Other | 5,136 | 14,293 |
| | <u>253,028</u> | <u>242,959</u> |
| Total deferred tax liabilities | 253,028 | 242,959 |
| | <u>253,028</u> | <u>242,959</u> |
| Net Deferred Tax Liability | \$ (144,258) | \$ (126,577) |
| | <u>\$ (144,258)</u> | <u>\$ (126,577)</u> |

At September 30, 2005, there were approximately \$51.8 million of foreign net operating loss carry-forwards, approximately \$18.8 million of which expire between 2006 and 2015 with the remaining carry-forwards having an indefinite life. In addition, there were approximately \$588.3 million in state net operating loss carry-forwards that expire between 2006 and 2025. There were also approximately \$8.9 million in federal foreign tax credit carry-forwards, which will expire between 2012 and 2015. A partial valuation allowance has been provided to offset the related deferred tax assets due to the uncertainty of realizing the benefit of the loss and credit carry-forwards. The valuation allowance decreased by \$40.6 million and increased by \$5.5 million in fiscal years 2005 and 2004, respectively. The deferred tax assets and liabilities have been revalued to reflect the impact of a favorable state tax ruling which reduced our effective state income tax rate. The revaluation reduced our net deferred tax liabilities by approximately \$3.6 million.

We have made no provision for U.S. taxes on \$2,987.7 million of cumulative undistributed earnings of foreign subsidiaries as those earnings are intended to be reinvested for an indefinite period of time. Determination of the potential amount of unrecognized deferred U.S. income tax liability related to such reinvested income is not practicable because of the numerous assumptions associated with this hypothetical calculation; however, foreign tax credits would be available to reduce some portion of this amount. As of September 30, 2005, and based on tax laws in effect as of this date, it is our intention to continue to indefinitely reinvest the undistributed earnings of foreign subsidiaries.

The American Jobs Act was signed into law on October 22, 2004. Under a provision of the Jobs Act, we may elect to repatriate certain earnings of our foreign-based subsidiaries at a reduced U.S. federal tax rate in either of our fiscal years ended September 30, 2005 or ending September 30, 2006. We are currently evaluating the effect of the repatriation provision under the Jobs Act. We expect to complete this evaluation no earlier than the second quarter of fiscal year 2006. The range of possible amounts we are considering for repatriation is between zero and \$1,983 million, and the potential range of federal and state income tax associated with these amounts, which are subject to a reduced tax rate, is between zero and \$117.0 million.

The following is a reconciliation between the amount of tax expense at the federal statutory rate and taxes on income as reflected in operations for the fiscal years ended September 30, 2005, 2004, and 2003:

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-------------------|-------------------|-------------------|
| Federal statutory rate | 35% | 35% | 35% |
| Federal taxes at statutory rate | \$ 497,299 | \$ 347,839 | \$ 245,071 |
| State taxes, net of federal tax effect | 16,024 | 18,675 | 9,640 |
| Effect of foreign operations | (142,652) | (96,770) | (63,841) |
| Change in valuation allowance | (11,993) | | |
| Tax benefit of state petition | (15,899) | | |
| Effect of provision for governmental investigations, proceedings and actions, net | | 12,950 | |
| Other | 20,445 | 9,287 | 6,503 |
| Actual Tax Provision | \$ 363,224 | \$ 291,981 | \$ 197,373 |
| Effective tax rate | 25.56% | 29.38% | 28.19% |

Note 13 Commitments and Contingencies

Guarantees

Under FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, we are required, on a prospective

basis, to recognize in our financial statements a liability for the fair value of any guarantees issued or modified after December 31, 2002 as well as make additional disclosures about existing guarantees.

In relation to the auto loan securitization transactions that we have entered into with a number of qualified special purpose entities, we are obligated to cover shortfalls in amounts due to the holders of the notes up to certain levels as specified under the related agreements. As of September 30, 2005, the maximum potential amount of future payments related to these obligations was \$31.7 million. In addition, our Consolidated Balance Sheet at September 30, 2005 included a \$0.1 million liability to reflect the fair value of these obligations arising from auto securitization transactions entered into subsequent to December 31, 2002.

At September 30, 2005, our banking/finance operating segment had issued financial standby letters of credit totaling \$2.7 million on which beneficiaries would be able to draw upon in the event of non-performance by our customers, primarily in relation to lease and lien obligations of these banking customers. These standby letters of credit, issued prior to January 1, 2003, were secured by marketable securities with a fair value of \$3.0 million as of September 30, 2005 and commercial real estate.

Legal Proceedings

As previously reported, the Company and certain of its subsidiaries, as well as certain of the Franklin Templeton mutual funds (Funds), current and former officers, employees, and directors have been named in multiple lawsuits in different federal courts in Nevada, California, Illinois, New York, and Florida, alleging violations of various federal securities and state laws and seeking, among other relief, monetary damages, restitution, removal of Fund trustees, directors, advisers, administrators, and distributors, rescission of management contracts and 12b-1 plans, and/or attorneys' fees and costs. Specifically, the lawsuits claim breach of duty with respect to alleged arrangements to permit market timing and/or late trading activity, or breach of duty with respect to the valuation of the portfolio securities of certain Templeton Funds managed by the Company's subsidiaries, allegedly resulting in market timing activity. The majority of these lawsuits duplicate, in whole or in part, the allegations asserted in the February 4, 2004 Massachusetts Administrative Complaint concerning one instance of market timing (the Administrative Complaint) and the SEC's findings regarding market timing in its August 2, 2004 Order (the SEC Order), both of which matters were previously reported. The lawsuits are styled as class actions, or derivative actions on behalf of either the named Funds or the Company.

To date, more than 400 similar lawsuits against at least 19 different mutual fund companies have been filed in federal district courts throughout the country. Because these cases involve common questions of fact, the Judicial Panel on Multidistrict Litigation (the Judicial Panel) ordered the creation of a multidistrict litigation in the United States District Court for the District of Maryland, entitled *In re Mutual Funds Investment Litigation* (the MDL). The Judicial Panel then transferred similar cases from different districts to the MDL for coordinated or consolidated pretrial proceedings.

As of December 5, 2005, the following market timing lawsuits are pending against the Company and certain of its subsidiaries (and in some instances, name certain officers, directors and/or Funds) and have been transferred to the MDL:

Kenerley v. Templeton Funds, Inc., et al., Case No. 03-770 GPM, filed on November 19, 2003 in the United States District Court for the Southern District of Illinois; Cullen v. Templeton Growth Fund, Inc., et al., Case No. 03-859 MJR, filed on December 16, 2003 in the United States District Court for the Southern District of Illinois and transferred to the United States District Court for the Southern District of Florida on March 29, 2004; Jaffe v. Franklin AGE High Income Fund, et al., Case No. CV-S-04-0146-PMP-RJJ, filed on February 6, 2004 in the United States District Court for the District of Nevada; Lum v. Franklin

Resources, Inc., et al., Case No. C 04 0583 JSW, filed on February 11, 2004 in the United States District Court for the Northern District of California; Fischbein v. Franklin AGE High Income Fund, et al., Case No. C 04 0584 JSW, filed on February 11, 2004 in the United States District Court for the Northern District of California; Beer v. Franklin AGE High Income Fund, et al., Case No. 8:04-CV-249-T-26 MAP, filed on February 11, 2004 in the United States District Court for the Middle District of Florida; Bennett v. Franklin Resources, Inc., et al., Case No. CV-S-04-0154-HDM-RJJ, filed on February 12, 2004 in the United States District Court for the District of Nevada; Dukes v. Franklin AGE High Income Fund, et al., Case No. C 04 0598 MJJ, filed on February 12, 2004, in the United States District Court for the Northern District of California; McAlvey v. Franklin Resources, Inc., et al., Case No. C 04 0628 PJH, filed on February 13, 2004 in the United States District Court for the Northern District of California; Alexander v. Franklin AGE High Income Fund, et al., Case No. C 04 0639 SC, filed on February 17, 2004 in the United States District Court for the Northern District of California; Hugh Sharkey IRA/RO v. Franklin Resources, Inc., et al., Case No. 04 CV 1330, filed on February 18, 2004 in the United States District Court for the Southern District of New York; D Alliessi v. Franklin AGE High Income Fund, et al., Case No. C 04 0865 SC, filed on March 3, 2004 in the United States District Court for the Northern District of California; Marcus v. Franklin Resources, Inc., et al., Case No. C 04 0901 JL, filed on March 5, 2004 in the United States District Court for the Northern District of California; Banner v. Franklin Resources, Inc., et al., Case No. C 04 0902 JL, filed on March 5, 2004 in the United States District Court for the Northern District of California; Denenberg v. Franklin Resources, Inc., et al., Case No. C 04 0984 EMC, filed on March 10, 2004 in the United States District Court for the Northern District of California; Hertz v. Burns, et al., Case No. 04 CV 02489, filed on March 30, 2004 in the United States District Court for the Southern District of New York.

In addition, on April 12, 2005, the Attorney General of West Virginia filed a complaint in the Circuit Court of Marshall County, West Virginia (Case No. 05-C-81) against a number of companies engaged in the mutual fund industry, including the Company and its subsidiary, Franklin Advisers, Inc., and certain other parties, alleging violations of the West Virginia Consumer Credit and Protection Act and seeking, among other things, civil penalties and attorneys' fees and costs. In response to defendants' motion for transfer, on October 19, 2005, the Judicial Panel transferred the case to the MDL described above. To the extent applicable to the Company, the complaint arises from activity that occurred in 2001 and duplicates, in whole or in part, the allegations asserted in the Administrative Complaint concerning one instance of market timing and the findings regarding market timing in the SEC Order.

Plaintiffs in the MDL filed consolidated amended complaints on September 29, 2004. On February 25, 2005, defendants filed motions to dismiss. The Company's and its subsidiaries' motions are currently under submission with the court.

As previously reported, various subsidiaries of the Company, as well as certain Templeton Fund registrants, have also been named in multiple class action lawsuits originally filed in state courts in Illinois, alleging breach of duty with respect to the valuation of the portfolio securities of certain Templeton Funds managed by such subsidiaries, and seeking, among other relief, monetary damages and attorneys' fees and costs, as follows:

Bradfish v. Templeton Funds, Inc., et al., Case No. 2003 L 001361, filed on October 3, 2003 in the Circuit Court of the Third Judicial Circuit, Madison County, Illinois; Woodbury v. Templeton Global Smaller Companies Fund, Inc., et al., Case No. 2003 L 001362, filed on October 3, 2003 in the Circuit Court of the Third Judicial Circuit, Madison County, Illinois; Kwiatkowski v. Templeton Growth Fund, Inc., et al., Case No. 03 L 785, filed on December 17, 2003 in the Circuit Court of the Twentieth Judicial Circuit, St. Clair County, Illinois; Parise v. Templeton Funds, Inc., et al., Case No. 2003 L 002049, filed on December 22, 2003 in the Circuit Court of the Third Judicial Circuit, Madison County, Illinois.

In April 2005, defendants removed these lawsuits to the United States District Court for the Southern District of Illinois. On July 12, 2005, the court dismissed one of these lawsuits, *Bradfish v. Templeton Funds, Inc., et al.* and dismissed the remaining three lawsuits on August 25, 2005. Plaintiffs are appealing the dismissals to the United States Court of Appeals for the Seventh Circuit (*Bradfish v. Templeton Funds, Inc., et al.*, Case No. 05-3390, *Woodbury v. Templeton Global Smaller Companies Fund, Inc., et al.*, Case No. 05-3559, *Kwiatkowski v. Templeton Growth Fund, Inc., et al.*, Case No.05-3558, *Parise v. Templeton Funds, Inc., et al.*, Case No. 05-3586).

In addition, Franklin Templeton Investments Corp., a subsidiary of the Company and the investment manager of Franklin Templeton's Canadian mutual funds, has been named in two class action market timing lawsuits in Canada, seeking, among other relief, monetary damages, an order barring any increase in management fees for a period of two years following judgment, and/or attorneys' fees and costs, as follows: *Huneault v. AGF Funds, Inc., et al.*, Case No. 500-06-000256-046, filed on October 25, 2004 in the Superior Court for the Province of Quebec, District of Montreal, and *Heinrichs, et al. v. CI Mutual Funds, Inc., et al.*, Case No. 04-CV-29700, filed on December 17, 2004 in the Ontario Superior Court of Justice.

As also previously reported, the Company and certain of its subsidiaries, as well as certain current and former officers, employees, and directors, have been named in multiple lawsuits alleging violations of various securities laws and pendent state law claims relating to the disclosure of marketing support payments and/or payment of allegedly excessive commissions, and/or advisory or distribution fees, and seeking, among other relief, monetary damages, restitution, rescission of advisory contracts, including recovery of all fees paid pursuant to those contracts, an accounting of all monies paid to the named advisers, declaratory relief, injunctive relief, and/or attorneys' fees and costs. These lawsuits are styled as class actions or derivative actions brought on behalf of certain Funds, and are as follows:

Stephen Alexander IRA v. Franklin Resources, Inc., et al., Case No. 04-982 JLL, filed on March 2, 2004 in the United States District Court for the District of New Jersey; *Strigliabotti v. Franklin Resources, Inc., et al.*, Case No. C 04 0883 SI, filed on March 4, 2004 in the United States District Court for the Northern District of California; *Tricarico v. Franklin Resources, Inc., et al.*, Case No. CV-04-1052 JAP, filed on March 4, 2004 in the United States District Court for the District of New Jersey; *Wilcox v. Franklin Resources, Inc., et al.*, Case No. 04-2258 WHW, filed on May 12, 2004 in the United States District Court for the District of New Jersey; *Bahe, Custodian CGM Roth Conversion IRA v. Franklin/Templeton Distributors, Inc., et al.*, Case No. 04-11195 PBS, filed on June 3, 2004 in the United States District Court for the District of Massachusetts.

The United States District Court for the District of New Jersey consolidated for pretrial purposes three of the above lawsuits (*Stephen Alexander IRA*, *Tricarico*, and *Wilcox*) into a single action entitled *In re Franklin Mutual Funds Fee Litigation* (Case No. 04-cv-982 (WJM)(RJH)). Plaintiffs in those three lawsuits filed a consolidated amended complaint (the *Complaint*) on October 4, 2004. Defendants filed a motion to dismiss the *Complaint* on November 19, 2004. On September 9, 2005, the court granted defendants' motion and dismissed the *Complaint*, with leave to amend certain claims. Separately, in the *Strigliabotti* lawsuit, the court entered its order denying defendants' motion to dismiss or, in the alternative, for judgment on the pleadings on November 9, 2005.

Management strongly believes that the claims made in each of the lawsuits identified above are without merit and intends to defend against them vigorously. The Company cannot predict with certainty, however, the eventual outcome of these lawsuits, nor whether they will have a material negative impact on the Company.

As previously reported, Franklin/Templeton Distributors, Inc. (*FTDI*) received a letter from the NASD staff advising of its preliminary determination to recommend a disciplinary proceeding against *FTDI*

alleging violation of certain NASD rules relating to FTDI's Top Producers program, under which FTDI hosted meetings of certain representatives associated with firms that distribute shares of the Funds. On September 30, 2005, the NASD staff instead sent a letter of caution to FTDI. No Top Producers program meetings were held in 2004; in early 2005, the Top Producers program was terminated.

The Company is also involved from time to time in litigation relating to claims arising in the normal course of business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the Company's business or financial position.

Other Commitments and Contingencies

We lease office space and equipment under long-term operating leases expiring at various dates through fiscal year 2021. Lease expense aggregated \$52.0 million, \$44.7 million and \$45.6 million for the fiscal years ended September 30, 2005, 2004, and 2003. Sublease income totaled \$9.1 million, \$7.2 million and \$6.5 million for the fiscal years ended September 30, 2005, 2004, and 2003. Future minimum lease payments under non-cancelable operating leases are as follows:

| <i>(in thousands)</i> | Amount |
|-------------------------------------|-------------------|
| 2006 | \$ 44,836 |
| 2007 | 41,849 |
| 2008 | 37,335 |
| 2009 | 34,637 |
| 2010 | 20,683 |
| Thereafter | 166,284 |
| Total Minimum Lease Payments | \$ 345,624 |

We have reviewed our interest in LFL, a company incorporated in Ireland whose sole business purpose is to finance our deferred commission assets, for consolidation under FIN 46-R. Based on our analysis, we determined that we hold a significant interest in LFL but we are not the primary beneficiary of LFL because we do not hold a majority of the risks and rewards of ownership. As of September 30, 2005, LFL had approximately \$567.5 million in total assets and our exposure to loss related to LFL was limited to the carrying value of our investment in LFL, and interest and fees receivable from LFL totaling approximately \$21.1 million. We have also reviewed our sponsored investment products for consolidation under FIN 46-R and have consolidated one variable interest entity in our financial statements as of September 30, 2005. We have also determined that in relation to certain other of these products, we hold a significant interest but are not the primary beneficiary, because we do not hold a majority of the risks and rewards of ownership. As of September 30, 2005, total assets in sponsored investment products in which we held a significant interest were approximately \$535.0 million and our exposure to loss as a result of our interest in these products was \$151.3 million. These amounts represent our maximum exposure to loss and do not reflect our estimate of the actual losses that could result from adverse changes.

In July 2003, we renegotiated an agreement to outsource management of our data center and distributed server operations, originally signed in February 2001. We may terminate the amended agreement any time after July 1, 2006 by incurring a termination charge. The maximum termination charge payable will depend on the termination date of the amended agreement, the service levels before our termination of the agreement, costs incurred by our service provider to wind-down the services and costs associated with assuming equipment leases. As of September 30, 2005, we estimate that the termination fee payable in July 2006, not including costs associated with assuming equipment leases, would approximate \$13.5 million and would decrease each month for the subsequent two years, reaching a payment of approximately \$2.2 million in July 2008.

At September 30, 2005, the banking/finance operating segment had commitments to extend credit aggregating \$224.1 million, primarily under its credit card lines.

Note 14 Consolidated Sponsored Investment Products

The following tables present the effect on our consolidated results of operations and financial position of consolidating sponsored investment products under SFAS 94 and FIN 46-R.

(in thousands)

| Year Ended September 30, 2005 | Before | Sponsored Investment | |
|--|---------------------|----------------------|---------------------|
| | Consolidation | Products | Consolidated |
| Operating Revenues | | | |
| Investment management fees | \$ 2,459,977 | \$ (3,459) | \$ 2,456,518 |
| Underwriting and distribution fees | 1,532,098 | (488) | 1,531,610 |
| Shareholder servicing fees | 254,815 | (52) | 254,763 |
| Consolidated sponsored investment products income, net | | 4,414 | 4,414 |
| Other, net | 62,793 | | 62,793 |
| Total operating revenues | 4,309,683 | 415 | 4,310,098 |
| Operating Expenses | | | |
| Operating income | 3,021,722 | | 3,021,722 |
| | 1,287,961 | 415 | 1,288,376 |
| Other Income (Expenses) | | | |
| Consolidated sponsored investment products gains, net | | 29,121 | 29,121 |
| Investment and other income | 149,592 | (12,191) | 137,401 |
| Interest expense | (34,043) | | (34,043) |
| Other income, net | 115,549 | 16,930 | 132,479 |
| Income before taxes on income | 1,403,510 | 17,345 | 1,420,855 |
| Taxes on income | 358,789 | 4,435 | 363,224 |
| Net Income | \$ 1,044,721 | \$ 12,910 | \$ 1,057,631 |

(in thousands)

| As of the Year Ended September 30, 2005 | Before | Sponsored Investment | |
|---|---------------------|----------------------|---------------------|
| | Consolidation | Products | Consolidated |
| Assets | | | |
| Current assets | \$ 4,531,841 | \$ 109,606 | \$ 4,641,447 |
| Banking/finance assets | 915,140 | | 915,140 |
| Non-current assets | 3,371,884 | (34,544) | 3,337,340 |
| Total Assets | \$ 8,818,865 | \$ 75,062 | \$ 8,893,927 |

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| Liabilities and Stockholders Equity | | | |
|--|---------------------|------------------|---------------------|
| Current liabilities | \$ 829,107 | \$ 22,790 | \$ 851,897 |
| Banking/finance liabilities | 804,802 | | 804,802 |
| Non-current liabilities | 1,476,737 | | 1,476,737 |
| Total Liabilities | 3,110,646 | 22,790 | 3,133,436 |
| Minority interest | 20,107 | 56,000 | 76,107 |
| Total stockholders equity | 5,688,112 | (3,728) | 5,684,384 |
| Total Liabilities and Stockholders Equity | \$ 8,818,865 | \$ 75,062 | \$ 8,893,927 |

In fiscal year 2004, we recognized a cumulative effect of an accounting change, net of tax of \$4.8 million, related to our adoption of FIN 46-R, which included the effect of consolidating certain sponsored

investment products and a lessor trust used to finance the construction of our headquarters campus in San Mateo, California in our results of operation. In September 2004, we purchased the assets of this lessor trust.

Note 15 Employee Stock Award and Option Plans

We sponsor the 2002 Universal Stock Incentive Plan (the USIP) and the Amended and Restated Annual Incentive Compensation Plan (the AICP). Under the terms of these plans, eligible employees may receive cash and stock awards based on the performance of Franklin Templeton Investments and that of the individual employee. The USIP provides for the issuance of up to 30.0 million shares of our common stock for various stock-related awards, including those related to the AICP. As of the beginning of October 1, 2004, and prior to considering fiscal year 2005 grants, we had approximately 8.5 million shares available for grant under the USIP, including those related to the AICP. At September 30, 2005, approximately 6.9 million shares were available for grant under the USIP, including those related to the AICP. In addition to the annual award of stock, we may award options and other forms of stock-based compensation to some employees under the USIP. The Compensation Committee of the Board of Directors determines the terms and conditions of awards under the plans. Total stock-based compensation cost under the USIP and AICP plans during fiscal years 2005, 2004, and 2003 was \$51.2 million, \$67.9 million and \$37.2 million. Our employees may also receive stock-based compensation through the issuance of stock of our subsidiaries or shares of investment companies in the Franklin Templeton Investments funds.

Information regarding stock options is as follows:

| | 2005 | | 2004 | | 2003 | |
|--------------------------------|---------------------------------|----------|---------------------------------|----------|---------------------------------|----------|
| | Weighted Average Exercise | | Weighted Average Exercise | | Weighted Average Exercise | |
| <i>(shares in thousands)</i> | Shares | Price | Shares | Price | Shares | Price |
| Outstanding, beginning of year | 11,269 | \$ 38.16 | 13,289 | \$ 36.11 | 11,679 | \$ 37.00 |
| Granted | 352 | \$ 41.16 | 1,824 | \$ 48.83 | 3,565 | \$ 33.18 |
| Exercised/cancelled | (3,778) | \$ 37.57 | (3,844) | \$ 36.15 | (1,955) | \$ 36.06 |
| Outstanding, end of year | 7,844 | \$ 37.45 | 11,269 | \$ 38.16 | 13,289 | \$ 36.11 |
| Exercisable, end of year | 7,216 | \$ 36.55 | 8,512 | \$ 37.29 | 8,654 | \$ 36.40 |

The range of exercise prices for these outstanding options at September 30, 2005 was from \$30.14 to \$54.20. Of the exercisable options, 71% were exercisable at prices ranging from \$31.95 to \$37.27. The weighted-average remaining contractual life for the options was 6.0 years. Generally, these options vest over a 3-year period and are exercisable for up to 10 years from the grant date. The exercise prices of outstanding options were adjusted in connection with the special cash dividend we paid on April 15, 2005.

Certain of our compensation agreements with employees include performance benchmarks, including those based on operating margin (defined as operating income divided by total operating revenues). Operating margin was 30%, 27% and 25% for the fiscal years ended September 30, 2005, 2004 and 2003.

Note 16 Employee Stock Investment Plan

We have a qualified, non-compensatory ESIP, which allows participants who meet certain eligibility criteria to buy shares of our common stock at 90% of their market value on defined dates. Our stockholders approved 4 million shares of common stock for issuance under the ESIP. The ESIP is open to substantially all employees of U.S. subsidiaries and some employees of non-U.S. subsidiaries. At September 30, 2005, approximately 2,460,000 shares had been purchased on a cumulative basis under the ESIP at a weighted-average price of \$33.32.

In connection with the ESIP, we may, at our election, provide matching grants to participants in the ESIP of whole or partial shares of common stock. While reserving the right to change this determination, we have indicated that we will provide one half-share for each share held by a participant for a minimum period of 18 months. We made our first matching grant in fiscal year 2000. During fiscal years 2005, 2004, and 2003, we issued approximately 145,000, 132,000 and 104,000 shares under this matching program, at an average market price of \$75.24, \$52.24 and \$39.47.

Note 17 Other Compensation and Benefit Plans

Fiduciary Trust has a noncontributory retirement plan (the Retirement Plan) covering substantially all its employees hired before we acquired it. Fiduciary Trust also maintains a nonqualified supplementary executive retirement plan (SERP) to pay defined benefits in excess of limits imposed by federal tax law to participants in the retirement plan who attain age 55 and ten years of service as of the plan termination date. In April 2003, the Board of Directors of Fiduciary Trust approved a resolution to terminate both the Retirement Plan and the SERP as of June 30, 2003. In fiscal year 2005, we received approval from the Internal Revenue service to terminate the Retirement Plan and we recorded the settlement obligation in relation to the Retirement Plan and the SERP in accordance with the FASB Statement of Financial Accounting Standards No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits. The obligation was settled in fiscal year 2005.

In addition to these pension plans, Fiduciary Trust sponsors a defined benefit healthcare plan that provides post-retirement medical benefits to full-time employees who have worked ten years and attained age 55 while in the service of Fiduciary Trust, or have met alternate eligibility criteria. The defined benefit healthcare plan was closed to new entrants in April 2003.

The following table summarizes the funded status and the amounts recognized in the Consolidated Balance Sheets for the Retirement Plan and SERP, under pension benefits, and for the defined healthcare plan, under other benefits.

| <i>(in thousands)</i> | Pension Benefits | | Other Benefits | |
|---|------------------|------------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Change in Benefit Obligation | | | | |
| Benefit obligation at beginning of year | \$ 29,706 | \$ 29,516 | \$ 6,570 | \$ 6,968 |
| Service cost | | | 51 | 48 |
| Interest cost | 995 | 1,567 | 364 | 402 |
| Participant contributions | | | | (767) |
| Benefits paid | (33,610) | (4,789) | (494) | (502) |
| Actuarial losses (gains) | 2,887 | 3,412 | 864 | 421 |
| Settlements | 22 | | | |
| Benefit Obligation at End of Year | \$ 29,706 | \$ 29,706 | \$ 7,355 | \$ 6,570 |
| Fair value of plan assets at beginning of year | \$ 11,150 | \$ 15,091 | \$ | \$ |
| Actual return on assets | 306 | 458 | | |
| Employer contributions | 22,154 | 390 | 494 | 502 |
| Participant contributions | | | | |
| Benefits paid | (33,610) | (4,789) | (494) | (502) |
| Fair Value of Plan Assets at End of Year | \$ 11,150 | \$ 11,150 | \$ | \$ |

| <i>(in thousands)</i> | Pension Benefits | | Other Benefits | |
|--|------------------|--------------------|-------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Funded status | \$ | \$ (18,556) | \$ (7,355) | \$ (6,570) |
| Unrecognized actuarial loss | | | 1,525 | 662 |
| Unrecognized prior service cost | | | 449 | 705 |
| Net Liability | \$ | \$ (18,556) | \$ (5,381) | \$ (5,203) |
| Amounts Recognized in the Consolidated Balance Sheets | | | | |
| Accrued benefit cost recognized | \$ | \$ (18,556) | \$ (5,381) | \$ (5,203) |
| Intangible asset | | | | |
| Accumulated other comprehensive income | | | | |
| Net Amount Recognized | \$ | \$ (18,556) | \$ (5,381) | \$ (5,203) |
| Weighted-Average Assumptions | | | | |
| Discount rate | | 5.00%/5.06% | 5.50% | 5.75% |
| Expected return on plan assets | | 6.00% | N/A | N/A |
| Increase in compensation rate | | N/A | 4.50% | 4.50% |

The following table summarizes the components of net periodic benefit cost for fiscal years 2005, 2004 and 2003 for all plans.

| <i>(in thousands)</i> | Pension Benefits | | | Other Benefits | | |
|------------------------------------|------------------|-----------------|-----------------|----------------|---------------|---------------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| Service cost | \$ | \$ | \$ 969 | \$ 51 | \$ 48 | \$ 29 |
| Interest cost | 995 | 1,567 | 1,291 | 364 | 402 | 320 |
| Expected return on plan assets | (440) | (902) | (774) | | | |
| Amortization of prior service cost | | | (128) | 256 | 256 | |
| Actuarial losses | 3,021 | 5,681 | 3,800 | 1 | 51 | |
| Settlement losses | 22 | | | | | |
| Net Periodic Benefit Cost | \$ 3,598 | \$ 6,346 | \$ 5,158 | \$ 672 | \$ 757 | \$ 349 |

Following the acquisition of Fiduciary Trust, we established an \$85.0 million retention pool aimed at retaining key Fiduciary Trust employees, under which employees will receive both cash payments and options. Salaried employees who remain continuously employed through the applicable dates are eligible for compensation under the program. Excluding the value of options granted, the value of the retention plan is \$68 million, and is being expensed over a period ranging from one to five years. We expensed \$0.7 million, \$1.6 million and \$10.2 million in fiscal years 2005, 2004, and 2003, including the acceleration of retention payments related to the September 11, 2001 events as described in Note 19.

Note 18 Segment Information

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We have two operating segments: investment management and related services and banking/finance. We based our operating segment selection process primarily on services offered. The investment management and related services operating segment derives substantially all its revenues and net income from the Franklin, Templeton, Mutual Series, Bissett, Fiduciary Trust and Darby Overseas sponsored investment products. The banking/finance operating segment offers selected retail-banking services to high net-worth individuals, foundations and institutions, and consumer lending services. Our consumer lending activities include automotive lending related to the purchase, securitization, and servicing of retail installment sales contracts originated by independent automobile dealerships, consumer credit and debit cards, real estate equity lines and home equity/mortgage loans.

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Financial information for our two operating segments is presented in the table below. Operating revenues of the banking/finance operating segment are reported net of interest expense and the provision for probable loan losses.

(in thousands)

| As of and for the Year Ended September 30, 2005 | Investment Management and Related Services | Banking/ Finance | Totals |
|--|---|-----------------------------|---------------|
| Assets | \$ 7,978,787 | \$ 915,140 | \$ 8,893,927 |
| Operating revenues | 4,258,661 | 51,437 | 4,310,098 |
| Interest revenue inter-segment | 409 | | 409 |
| Interest expense | 34,043 | N/A | 34,043 |
| Income before taxes | 1,395,538 | 25,317 | 1,420,855 |
| As of and for the Year Ended September 30, 2004 | | | |
| Assets | \$ 7,401,924 | \$ 825,844 | \$ 8,227,768 |
| Operating revenues | 3,381,696 | 56,512 | 3,438,208 |
| Interest revenue inter-segment | 1,393 | | 1,393 |
| September 11, 2001 recovery, net | (30,277) | | (30,277) |
| Interest expense | 30,658 | N/A | 30,658 |
| Income before taxes | 965,614 | 28,252 | 993,866 |
| As of and for the Year Ended September 30, 2003 | | | |
| Assets | \$ 6,052,324 | \$ 918,425 | \$ 6,970,749 |
| Operating revenues | 2,571,253 | 60,871 | 2,632,124 |
| Interest revenue inter-segment | 2,501 | | 2,501 |
| September 11, 2001 recovery, net | (4,401) | | (4,401) |
| Interest expense | 19,910 | N/A | 19,910 |
| Income before taxes | 658,571 | 41,632 | 700,203 |

Operating revenues of the banking/finance segment included above were as follows:

(in thousands)

| Years Ended September 30, | 2005 | 2004 | 2003 |
|---|-------------|-------------|-------------|
| Interest on loans | \$ 31,196 | \$ 27,957 | \$ 31,134 |
| Interest and dividends on investment securities | 10,587 | 10,950 | 18,595 |
| Total interest income | 41,783 | 38,907 | 49,729 |
| Interest on deposits | 7,651 | 4,420 | 6,119 |
| Interest on short-term debt | 3,016 | 203 | 436 |
| Interest expense inter-segment | 409 | 1,393 | 2,501 |
| Total interest expense | 11,076 | 6,016 | 9,056 |

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| | | | |
|------------------------------------|------------------|------------------|------------------|
| Net interest income | 30,707 | 32,891 | 40,673 |
| Other income | 22,141 | 28,822 | 33,621 |
| Provision for probable loan losses | (1,411) | (5,201) | (13,423) |
| Total Operating Revenues | \$ 51,437 | \$ 56,512 | \$ 60,871 |

Inter-segment interest payments from the banking/finance operating segment to the investment management and related services operating segment are based on market rates prevailing at the inception of each loan. As further described in Note 1, inter-segment interest income and expense are not eliminated in

our Consolidated Statements of Income. The investment management and related services operating segment incurs substantially all of our depreciation and amortization costs and expenditures on long-lived assets.

We conduct operations in the following principal geographic areas of the world: the United States, Canada, the Bahamas, Europe, Asia, South America, Africa and Australia. For segment reporting purposes, we have combined Asia, South America, Africa and Australia into one category Other. Revenues by geographic area include fees and commissions charged to customers and fees charged to affiliates.

Information by geographic area is summarized below:

(in thousands)

| Years Ended September 30, | 2005 | 2004 | 2003 |
|------------------------------------|---------------------|---------------------|---------------------|
| Operating Revenues | | | |
| United States | \$ 2,894,809 | \$ 2,379,108 | \$ 1,888,987 |
| Canada | 275,702 | 230,433 | 188,531 |
| Bahamas | 680,816 | 493,504 | 326,687 |
| Europe | 151,001 | 104,110 | 72,467 |
| Other | 307,770 | 231,053 | 155,452 |
| Total | \$ 4,310,098 | \$ 3,438,208 | \$ 2,632,124 |
| Property and Equipment, Net | | | |
| United States | \$ 431,023 | \$ 420,301 | \$ 303,457 |
| Canada | 2,840 | 3,546 | 4,007 |
| Bahamas | 9,588 | 9,879 | 6,861 |
| Europe | 11,332 | 6,268 | 6,045 |
| Other | 34,583 | 30,584 | 36,402 |
| Total | \$ 489,366 | \$ 470,578 | \$ 356,772 |

Note 19 September 11, 2001 Recovery

On September 11, 2001, the headquarters of our subsidiary company, Fiduciary Trust, at Two World Trade Center was destroyed in the terrorist attacks on New York City. We have since leased office space for Fiduciary Trust in midtown Manhattan, to resume permanent operations. The following table shows the financial impact of the event recognized at September 30, 2005, 2004 and 2003:

| (in thousands) | 2005 | 2004 | 2003 |
|--|-----------|-----------|-----------|
| Cumulative September 11, 2001 costs recognized as of end of year | \$ 69,140 | \$ 68,945 | \$ 68,945 |
| September 11, 2001 recovery, net | | (30,277) | (4,401) |

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In January 2004, we received \$32.5 million from our insurance carrier for claims related to the September 11, 2001 terrorist attacks that destroyed Fiduciary Trust's headquarters. These proceeds represented final recoveries for claims submitted to our insurance carrier. We realized a gain of \$30.3 million, before income taxes of \$12.0 million, in the reporting period ending March 31, 2004, in accordance with guidance provided under FASB Statement No. 5 Accounting for Contingencies and EITF Abstract Accounting for the Impact of the Terrorist Attacks of September 11, 2001, as remaining contingencies related to our insurance claims have been resolved.

Note 20 Other Income (Expenses)

Other income (expenses) for the fiscal years ended September 30, 2005, 2004 and 2003 consisted of the following:

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-------------------|------------------|------------------|
| Consolidated Sponsored Investment Products | | | |
| Consolidated sponsored investment products unrealized gains (losses), net | \$ 8,071 | \$ (484) | \$ 1,476 |
| Consolidated sponsored investment products realized gain, net | 21,050 | 3,877 | 169 |
| Total | 29,121 | 3,393 | 1,645 |
| Investment and Other Income | | | |
| Dividends | 31,577 | 14,778 | 13,328 |
| Interest income from banking/finance group | 409 | 1,393 | 2,501 |
| Other interest income | 66,146 | 27,301 | 25,187 |
| Equity in net income of affiliated companies | 30,659 | 20,605 | 6,934 |
| Realized gains on sale of assets | 8,173 | 30,395 | 15,213 |
| Realized losses on sale of assets | (3,994) | (5,771) | (6,639) |
| Foreign exchange gains, net | 1,883 | 4,668 | 10,069 |
| Other | 2,548 | (3,063) | 3,799 |
| Total | 137,401 | 90,306 | 70,392 |
| Interest expense | (34,043) | (30,658) | (19,910) |
| Other Income, Net | \$ 132,479 | \$ 63,041 | \$ 52,127 |

Substantially all of our dividend income and realized gains (losses) on sale of assets were generated by investments in our sponsored investment products.

Note 21 Fair Values of Financial Instruments

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The methods and assumptions used to estimate fair values of our financial instruments are described below (see also Note 1).

Due to the short-term nature and liquidity of cash and cash equivalents and receivables, the carrying amounts of these assets in the Consolidated Balance Sheets approximated fair value.

Investment securities, trading are carried at fair value with changes in fair value recognized in our consolidated net income.

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Investment securities, available-for-sale are carried at fair market value with changes in fair value recognized in other comprehensive income, as required by generally accepted accounting principles in the United States.

Loans held for sale are originated and intended for sale and are carried at the lower of cost or estimated fair value in the aggregate. Estimated fair value is calculated using discounted cash flow analyses. Net unrealized losses, if any, are recognized through a valuation allowance included in other, net revenues.

Loans receivable, net are valued using interest rates that consider the current credit and interest rate risk inherent in the loans and the current economic and lending conditions. The majority of retail-banking

loans are at variable rates, which are adjusted periodically. We utilize interest rate swaps to hedge the interest rate risk on those retail-banking loans that are at fixed rates and have maturities longer than one year. As such, the fair value of retail-banking loans approximates their carrying value.

The fair value of loans related to consumer lending are generally estimated using discounted cash flow analyses. For certain consumer lending variable rate loans with no significant credit concerns and frequent repricings, estimated fair values are generally based on the carrying value.

Deposits of the banking/finance operating segment are valued using interest rates offered by comparable institutions on deposits with similar remaining maturities. The amounts in the Consolidated Balance Sheets approximated fair value.

Interest-rate swap agreements and foreign exchange contracts are carried at fair value.

Debt is valued using publicly-traded debt with similar maturities, credit risk and interest rates. The amounts in the Consolidated Balance Sheets approximate fair values.

Guarantees and letters of credit have fair values based on the face value of the underlying instrument.

At September 30, 2005 and 2004, estimated fair values of our financial instruments were as follows:

| <i>(in thousands)</i> | 2005 | | 2004 | |
|---|--------------------|--------------|--------------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | |
| Cash and cash equivalents | \$ 3,152,159 | \$ 3,152,159 | \$ 2,917,188 | \$ 2,917,188 |
| Investment securities, trading | 254,750 | 254,750 | 257,329 | 257,329 |
| Investment securities, available-for-sale | 858,306 | 858,306 | 698,535 | 698,535 |
| Loans held for sale | 303,161 | 303,161 | 82,481 | 82,481 |
| Loans receivable, net | 264,275 | 264,275 | 334,676 | 334,676 |
| Financial Liabilities | | | | |
| Deposits | \$ 519,140 | \$ 519,140 | \$ 555,746 | \$ 555,746 |
| Commercial paper and current maturities of long-term debt | 169,389 | 169,389 | 169,633 | 169,633 |
| Long-term debt | 1,208,390 | 1,142,972 | 1,196,409 | 1,048,191 |
| Interest-rate swaps | 686 | 686 | 1,416 | 1,416 |

Note 22 Banking Regulatory Ratios

We are a bank holding company and a financial holding company subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory, and possibly additional, discretionary actions

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by regulators that, if undertaken, could have a direct material effect on our financial statements. We must meet specific capital adequacy guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain a minimum Tier 1 capital and Tier 1 leverage ratio (as defined in the regulations), as well as minimum Tier 1 and Total risk-based capital ratios (as defined in the regulations). Based on our calculations as of

September 30, 2005 and 2004, we exceeded the capital adequacy requirements applicable to us as listed below.

| <i>(in thousands)</i> | <u>2005</u> | <u>2004</u> | <u>Capital Adequacy Minimum</u> |
|---------------------------------|--------------|--------------|-------------------------------------|
| Tier 1 capital | \$ 3,700,203 | \$ 3,144,919 | N/A |
| Total risk-based capital | 3,703,109 | 3,148,617 | N/A |
| Tier 1 leverage ratio | 54% | 50% | 4% |
| Tier 1 risk-based capital ratio | 85% | 76% | 4% |
| Total risk-based capital ratio | 85% | 76% | 8% |

PART IV

Item 15. Exhibits, Financial Statement Schedules.

- (a)(1) The financial statements filed as part of this report are listed in Item 8 of this Form 10-K.
- (a)(2) The financial statement schedules filed as part of this report are listed in Item 8 of this Form 10-K.
- (a)(3) Exhibits.

Exhibit No.

- 3(i)(a) Registrant's Certificate of Incorporation, as filed November 28, 1969, incorporated by reference to Exhibit (3)(i) to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 001-09318) (the 1994 Annual Report)
- 3(i)(b) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed March 1, 1985, incorporated by reference to Exhibit 3(ii) to the 1994 Annual Report
- 3(i)(c) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed April 1, 1987, incorporated by reference to Exhibit 3(iii) to the 1994 Annual Report
- 3(i)(d) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed February 2, 1994, incorporated by reference to Exhibit 3(iv) to the 1994 Annual Report
- 3(i)(e) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed on February 4, 2005, incorporated by reference to Exhibit (3)(i)(e) to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)
- 3(ii) Registrant's Amended and Restated By-laws of Franklin Resources, Inc. adopted October 11, 2005, incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on October 14, 2005 (File No. 001-09318)
- 4.1 Indenture between Franklin Resources, Inc. and The Chase Manhattan Bank (formerly Chemical Bank), as trustee, dated as of May 19, 1994, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-3, filed on April 14, 1994 (File No. 033-53147)
- 4.2 Indenture between Franklin Resources, Inc. and The Bank of New York dated May 11, 2001, incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3, filed on August 6, 2001 (File No. 333-66958)
- 4.3 Form of Liquid Yield Option Note due 2031 (Zero Coupon-Senior) (included in Exhibit 4.2 hereto)
- 4.4 Registration Rights Agreement between Franklin Resources, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch) dated May 11, 2001, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3, filed on August 6, 2001 (File No. 333-66958)
- 4.5 Form of 3.7% Senior Notes due 2008, incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003 filed on May 12, 2003 (File No. 001-09318)

Exhibit No.

- 10.1 Representative Distribution Plan between Templeton Growth Fund, Inc. and Franklin/Templeton Investor Services, Inc., incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 (File No. 001-09318) (the 1993 Annual Report)
- 10.2 Representative Transfer Agent Agreement between Templeton Growth Fund, Inc. and Franklin/Templeton Investor Services, Inc., incorporated by reference to Exhibit 10.3 to the 1993 Annual Report
- 10.3 Representative Investment Management Agreement between Templeton Growth Fund, Inc. and Templeton, Galbraith & Hansberger Ltd., incorporated by reference to Exhibit 10.5 to the 1993 Annual Report
- 10.4 Representative Management Agreement between Advisers and the Franklin Group of Funds, incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1992 (File No. 001-09318) (the 1992 Annual Report)
- 10.5 Representative Distribution 12b-1 Plan between FTDI and the Franklin Group of Funds, incorporated by reference to Exhibit 10.3 to the 1992 Annual Report
- 10.6 Representative Amended and Restated Distribution Agreement between Franklin/Templeton Distributors, Inc. and Franklin Federal Tax-Free Income Fund, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 (File No. 001-09318) (the June 1995 Quarterly Report)
- 10.7 Distribution 12b-1 Plan for Class II shares between Franklin/Templeton Distributors, Inc. and Franklin Federal Tax-Free Income Fund, incorporated by reference to Exhibit 10.2 to the June 1995 Quarterly Report
- 10.8 Representative Investment Management Agreement between Templeton Global Strategy SICAV and Templeton Investment Management Limited, incorporated by reference to Exhibit 10.3 to the June 1995 Quarterly Report
- 10.9 Representative Sub-Distribution Agreement between Templeton, Galbraith & Hansberger Ltd. and BAC Corp. Securities, incorporated by reference to Exhibit 10.4 to the June 1995 Quarterly Report
- 10.10 Representative Dealer Agreement between Franklin/Templeton Distributors, Inc. and Dealer, incorporated by reference to Exhibit 10.5 to the June 1995 Quarterly Report
- 10.11 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (ERISA), incorporated by reference to Exhibit 10.6 to the June 1995 Quarterly Report
- 10.12 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (non-ERISA), incorporated by reference to Exhibit 10.7 to the June 1995 Quarterly Report
- 10.13 Representative Amended and Restated Transfer Agent and Shareholder Services Agreement between Franklin/Templeton Investor Services, Inc. and Franklin Custodian Funds, Inc., dated July 1, 1995, incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 001-09318) (the 1995 Annual Report)

Exhibit No.

- 10.14 Representative Amended and Restated Distribution Agreement between Franklin/Templeton Distributors, Inc. and Franklin Custodian Funds, Inc., incorporated by reference to Exhibit 10.17 to the 1995 Annual Report
- 10.15 Representative Class II Distribution Plan between Franklin/Templeton Distributors, Inc. and Franklin Custodian Funds, Inc., on behalf of its Growth Series, incorporated by reference to Exhibit 10.18 to the 1995 Annual Report
- 10.16 Representative Dealer Agreement between Franklin/Templeton Distributors, Inc. and Dealer, incorporated by reference to Exhibit 10.19 to the 1995 Annual Report
- 10.17 Representative Mutual Fund Purchase and Sales Agreement for Accounts of Bank and Trust Company Customers, effective July 1, 1995, incorporated by reference to Exhibit 10.20 to the 1995 Annual Report
- 10.18 Representative Management Agreement between Franklin Value Investors Trust, on behalf of Franklin MicroCap Value Fund and Franklin Advisers, Inc., incorporated by reference to Exhibit 10.21 to the 1995 Annual Report
- 10.19 Representative Sub-Distribution Agreement between Templeton, Galbraith & Hansberger Ltd. and Sub-Distributor, incorporated by reference to Exhibit 10.22 to the 1995 Annual Report
- 10.20 Representative Non-Exclusive Underwriting Agreement between Templeton Growth Fund, Inc. and Templeton/Franklin Investments Services (Asia) Limited, dated September 18, 1995, incorporated by reference to Exhibit 10.23 to the 1995 Annual Report
- 10.21 Representative Shareholder Services Agreement between Franklin/Templeton Investor Services, Inc. and Templeton/Franklin Investments Services (Asia) Limited, dated September 18, 1995, incorporated by reference to Exhibit 10.24 to the 1995 Annual Report
- 10.22 Agreement to Merge the Businesses of Heine Securities Corporation, Elmore Securities Corporation, and Franklin Resources, Inc., dated June 25, 1996, incorporated by reference to Exhibit 2 to the Company's Report on Form 8-K dated June 25, 1996 (File No. 001-09318)
- 10.23 Subcontract for Transfer Agency and Shareholder Services dated November 1, 1996 by and between Franklin/Templeton Investor Services, Inc. and PFPC Inc., incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 001-09318) (the 1996 Annual Report)
- 10.24 Representative Sample of Franklin/Templeton Investor Services, Inc. Transfer Agent and Shareholder Services Agreement, incorporated by reference to Exhibit 10.26 to the 1996 Annual Report
- 10.25 Representative Administration Agreement between Templeton Growth Fund, Inc. and Franklin Templeton Services, Inc., incorporated by reference to Exhibit 10.27 to the 1996 Annual Report
- 10.26 Representative Sample of Fund Administration Agreement with Franklin Templeton Services, Inc., incorporated by reference to Exhibit 10.28 to the 1996 Annual Report
- 10.27 Representative Subcontract for Fund Administrative Services between Franklin Advisers, Inc. and Franklin Templeton Services, Inc., incorporated by reference to Exhibit 10.29 to the 1996 Annual Report

Exhibit No.

- 10.28 Representative Investment Advisory Agreement between Franklin Mutual Series Fund Inc. and Franklin Mutual Advisers, Inc., incorporated by reference to Exhibit 10.30 to the 1996 Annual Report
- 10.29 Representative Management Agreement between Franklin Valuemark Funds and Franklin Mutual Advisers, Inc., incorporated by reference to Exhibit 10.31 to the 1996 Annual Report
- 10.30 Representative Investment Advisory and Asset Allocation Agreement between Franklin Templeton Fund Allocator Series and Franklin Advisers, Inc., incorporated by reference to Exhibit 10.32 to the 1996 Annual Report
- 10.31 Representative Management Agreement between Franklin New York Tax-Free Income Fund, Inc. and Franklin Investment Advisory Services, Inc., incorporated by reference to Exhibit 10.33 to the 1996 Annual Report
- 10.32 System Development and Services Agreement dated as of August 29, 1997 by and between Franklin/Templeton Investor Services, Inc. and Sungard Shareholder Systems, Inc., incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 001-09318)
- 10.33 1998 Universal Stock Incentive Plan approved October 16, 1998 by the Board of Directors, incorporated by reference to Exhibit A the Company's Proxy Statement filed under cover of Schedule 14A on December 23, 1998 in connection with its Annual Meeting of Stockholders held on January 28, 1999 (File No. 001-09318)*
- 10.34 Amendment No. 3 to the Agreement to Merge the Businesses of Heine Securities Corporation, Elmore Securities Corporation, and Franklin Resources, Inc., dated December 17, 1997, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997 (File No. 001-09318)
- 10.35 Representative Agreement for the Supply of Investment Management and Administration Services, dated February 16, 1998, by and between Templeton Funds and Templeton Investment Management Limited, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 (File No. 001-09318)
- 10.36 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (ERISA), as amended, incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 1998 (File No. 001-09318) (the 1998 Annual Report)
- 10.37 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (non-ERISA), as amended, incorporated by reference to Exhibit 10.40 to the 1998 Annual Report
- 10.38 Representative Variable Insurance Fund Participation Agreement among Templeton Variable Products Series Fund or Franklin Valuemark Fund, Franklin/Templeton Distributors, Inc. and an insurance company, incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended December 31, 1998 (File No. 001-09318)
- 10.39 Purchase Agreement between Mariners Island Co-Tenancy and Keynote Systems, Inc. dated April 25, 2000, incorporated by reference to Exhibit 10 to the Company's Report on Form 10-Q for the quarterly period ended June 30, 2000 (File No. 001-09318)

Exhibit No.

- 10.40 Acquisition Agreement dated July 26, 2000 among Franklin Resources, Inc., FTI Acquisition and Bissett & Associates Investment Management, Ltd., incorporated by reference to Exhibit 2.1 to the Company's Report on Form 8-K dated August 1, 2000 (File No. 001-09318)
- 10.41 Agreement and Plan of Share Acquisition between Franklin Resources, Inc. and Fiduciary Trust Company International dated October 25, 2000, incorporated by reference to Exhibit 2 to the Company's Report on Form 8-K/A (Amendment No. 1) dated October 25, 2000 and filed on October 26, 2000 (File No. 001-09318)
- 10.42 Representative Amended and Restated Distribution Agreement among Templeton Emerging Markets Fund, Templeton Canadian Bond Fund, Templeton International Stock Fund, Templeton Canadian Stock Fund, Templeton Global Smaller Companies Fund, Templeton Global Bond Fund, Templeton Treasury Bill Fund, Templeton Global Balanced Fund, Templeton International Balanced Fund, Templeton Canadian Asset Allocation Fund, Mutual Beacon Fund, Franklin U.S. Small Cap Growth Fund, Templeton Balanced Fund, Templeton Growth Fund, Ltd., Templeton Management Limited, and FEP Capital, L.P. dated December 31, 1998, incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 001-09318) (the 2000 Annual Report)
- 10.43 Representative Purchase and Sales Agreement by and among Franklin/Templeton Distributors, Inc., Franklin Resources, Inc., and Lightning Finance Company Limited dated August 1, 1999, incorporated by reference to Exhibit 10.46 to the 2000 Annual Report
- 10.44 Representative Advisory Agreement between Templeton Global Advisors Limited and Templeton Asset Management Limited dated December 21, 1999, incorporated by reference to Exhibit 10.47 to the 2000 Annual Report
- 10.45 Representative Amended and Restated Commission Paying Agreement between Templeton Global Strategy Funds, Templeton Global Advisors Limited, Templeton Global Strategic Services S.A., and Lightning Finance Company Limited dated January 31, 2000, incorporated by reference to Exhibit 10.48 to the 2000 Annual Report
- 10.46 Representative Variable Insurance Fund Participation Agreement among Franklin Templeton Variable Insurance Products Trust (formerly Franklin Valuemark Funds), Franklin/Templeton Distributors, Inc., and CUNA Mutual Life Insurance Company dated May 1, 2000, incorporated by reference to Exhibit 10.49 to the 2000 Annual Report
- 10.47 Stock Purchase Agreement between Good Morning Securities Co., Ltd. and Templeton Investment Counsel, Inc. dated June 29, 2000, incorporated by reference to Exhibit 10.50 to the 2000 Annual Report
- 10.48 Agreement entered into between NEDCOR Investment Bank Holdings Limited, NEDCOR Investment Bank Limited, Templeton International, Inc., Franklin Templeton Asset Management (Proprietary) Limited, and Templeton Global Advisors Limited dated August 1, 2000, incorporated by reference to Exhibit 10.51 to the 2000 Annual Report
- 10.49 Representative Amended and Restated Distribution Agreement between Franklin/Templeton Distributors, Inc. and Franklin Growth and Income Fund dated August 10, 2000, incorporated by reference to Exhibit 10.52 to the 2000 Annual Report

Exhibit No.

- 10.50 Employment Agreement entered into on December 22, 2000 by and among Anne M. Tatlock, Fiduciary Trust Company International and Franklin Resources, Inc., incorporated by reference to Exhibit 10.53 to the Company's Report on Form 10-Q for the quarterly period ended December 31, 2000 (File No. 001-09318)*
- 10.51 Amended and Restated 1998 Universal Stock Incentive Plan as approved by the Board of Directors on October 28, 2000 and the Stockholders at the Annual Meeting held on January 25, 2001, incorporated by reference to Exhibit 10.54 to the Company's Report on Form 10-Q for the quarterly period ended December 31, 2000 (File No. 001-09318)*
- 10.52 Representative Sub-Advisory Agreement between FTTrust Company, on behalf of Templeton International Smaller Companies Fund, Templeton Investment Counsel, LLC, and Templeton Asset Management Limited, dated January 23, 2001, incorporated by reference to Exhibit 10.55 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 001-09318)
- 10.53 Managed Operations Services Agreement between Franklin Templeton Companies, LLC, and International Business Machines Corporation dated February 6, 2001, incorporated by reference to Exhibit 10.56 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 001-09318)
- 10.54 Representative Agency Agreement between FTTrust Company and Franklin/Templeton Investor Services, LLC, dated April 1, 2001, incorporated by reference to Exhibit 10.57 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 001-09318)
- 10.55 Lease between RCPI Landmark Properties, L.L.C. and Franklin Templeton Companies, LLC dated September 30, 2001, incorporated by reference to Exhibit 10.58 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 001-09318) (the 2001 Annual Report)
- 10.56 Synthetic Lease Financing Facility Agreements dated September 27, 1999, incorporated by reference to Exhibit 10.59 to the 2001 Annual Report
- 10.57 Representative Amended and Restated Master Management Agreement between Franklin Templeton Investment Corp., as Trustee of mutual funds and Franklin Templeton Investment Corp., as Manager, dated May 31, 2001, incorporated by reference to Exhibit 10.60 to the 2001 Annual Report
- 10.58 Representative Master Management Agreement dated May 31, 2001 between Franklin Templeton Tax Class Corp. and Franklin Templeton Investments Corp., incorporated by reference to Exhibit 10.61 to the 2001 Annual Report
- 10.59 Form of Deferred Compensation Agreement for Director's Fees, as amended, incorporated by reference to Exhibit 10.62 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2002 (File No. 001-09318)*
- 10.60 Franklin Resources, Inc. 1998 Employee Stock Investment Plan as amended by the Board of Directors on October 10, 2002, incorporated by reference to Exhibit 4.6 to the Company's Report on Form S-8 filed on October 28, 2002 (File No. 333-100801)*
- 10.61 Settlement Agreement and Release of All Claims dated July 7, 2002 between Franklin Resources, Inc. and Allen J. Gula, Jr., incorporated by reference to Exhibit 10.66 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2002 (File No. 001-09318) (the 2002 Annual Report)

Exhibit No.

- 10.62 Stock Purchase Agreements dated July 23, 2002 between Templeton Asset Management (India) Private Limited and Pioneer Investment Management, Inc. and various employee shareholders, incorporated by reference to Exhibit 10.67 to the 2002 Annual Report
- 10.63 2002 Universal Stock Incentive Plan as approved by the Board of Directors on October 10, 2002 and the Stockholders at the Annual Meeting held on January 30, 2003, incorporated by reference to Exhibit 10.68 to the Company's Report on Form 10-Q for the quarterly period ended December 31, 2002 (File No. 001-09318)
- 10.64 Amendments dated July 2, 2001, June 10, 2002 and February 3, 2003 to the Managed Operations Services Agreement dated February 6, 2001, between Franklin Templeton Companies, LLC and International Business Machines Corporation, incorporated by reference to Exhibit 10.69 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2003 (File No. 001-09318)
- 10.65 Representative Form of Franklin Templeton Investor Services, LLC Transfer Agent and Shareholder Services Agreement, incorporated by reference to Exhibit 10.70 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2003 (File No. 001-09318)
- 10.66 Amendments dated July 1, 2003 and September 1, 2003 to the Managed Operations Service Agreement dated February 6, 2001, between Franklin Templeton Companies, LLC and International Business Machines Corporation, incorporated by reference to Exhibit 10.71 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 001-09318) (the 2003 Annual Report)
- 10.67 Purchase Agreement by and among Franklin Resources, Inc., Darby Holdings, Inc. and certain other named parties dated as of August 1, 2003, incorporated by reference to Exhibit 10.72 to the 2003 Annual Report
- 10.68 Settlement and Release Agreement between Franklin Resources, Inc. and Great Northern Insurance Company dated January 15, 2004, incorporated by reference to Exhibit 10.74 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2004 (File No. 001-09318)
- 10.69 2004 Key Executive Incentive Compensation Plan approved by the Board of Directors on December 11, 2003 and the Stockholders at the Annual Meeting held on January 29, 2004 (the 2004 Annual Meeting), incorporated by reference to Appendix E to the Company's Proxy Statement filed under cover of Schedule 14A on December 24, 2003 (File No. 001-09318)*
- 10.70 Form of Restricted Stock Award Agreement and Notice of Restricted Stock Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.74 to the Company's Report on Form 8-K filed with the SEC on November 12, 2004 (File No. 001-09318)*
- 10.71 Form of Stock Option Agreement and Notice of Stock Option Grant under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.75 to the Company's Report on Form 8-K filed with the SEC on November 12, 2004 (File No. 001-09318)*
- 10.72 Form of Restricted Stock Award Agreement and Notice of Restricted Stock Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on November 19, 2004 (File No. 001-09318)*

Exhibit No.

- 10.73 Form of Restricted Stock Unit Award Agreement and Notice of Restricted Stock Unit Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed with the SEC on November 19, 2004 (File No. 001-09318)*
- 10.74 Form of Restricted Stock Award Agreement and Notice of Restricted Stock Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on December 21, 2004 (File No. 001-09318)*
- 10.75 Franklin Resources, Inc. Deferred Compensation Arrangement for Director's Fees, dated as of January 21, 2005, by and between Franklin Resources, Inc. and Samuel H. Armacost incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on January 27, 2005 (File No. 001-09318)*
- 10.76 Franklin Resources, Inc. 2002 Universal Stock Incentive Plan (as amended and restated December 16, 2004) incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed with the SEC on January 27, 2005 (File No. 001-09318)*
- 10.77 Franklin Resources, Inc. Amended and Restated Annual Incentive Compensation Plan (as amended and restated December 16, 2004), incorporated by reference to Exhibit 10.85 to the Registrant's Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)*
- 10.78 Description of Performance Goals for the Company's Co-Chief Executive Officers for the 2005 Fiscal Year under the 2004 Key Executive Compensation Plan, incorporated by reference to Exhibit 10.87 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)*
- 10.79 Five Year Facility Credit Agreement dated as of June 10, 2005 among Franklin Resources, Inc., the Banks parties thereto, Bank of America, N.A. and The Bank of New York, as Co-Syndication Agents, Citibank, N.A. and BNP Paribas, as Co-Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on June 16, 2005 (File No. 001-09318)
- 10.80 Agreement, dated as of June 1, 2005, by and between Franklin Resources, Inc. and Craig S. Tyle., incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on September 7, 2005 (File No. 001-09318)*
- 10.81 Form of Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on October 4, 2005 (File No. 001-09318)*
- 10.82 Franklin Resources, Inc. Deferred Compensation Arrangement for Director's Fees, amended and restated as of October 18, 2005, by and between Franklin Resources, Inc. and Louis E. Woodworth, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on October 20, 2005 (File No. 001-09318)*
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- 10.91 Named Executive Officer Compensation**
- 10.92 Director Compensation**
- 10.93 Employment Agreement entered into on December 26, 2000 by and among William Y. Yun, Fiduciary Trust Company International and Franklin Resources, Inc., as amended**
- 12 Computation of Ratios of Earnings to Fixed Charges⁺
- 14 Code of Ethics and Business Conduct⁺
- 21 List of Subsidiaries⁺
- 23.1 Consent of Independent Registered Public Accounting Firm⁺
- 23.2 Consent of Independent Registered Public Accounting Firm
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002⁺
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002⁺
- 31.3 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 31.4 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.

- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.3 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
- 32.4 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

—
* Management/Employment Contract or Compensatory Plan or Arrangement

+ Previously filed.

Previously furnished.

(b) See Item 15(a)(3) above.

(c) No separate financial statements called for by this Item 15(c) are required; schedules are included in Item 8.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

FRANKLIN RESOURCES, INC.

Date: February 7, 2006

By: /s/ JAMES R. BAIO
James R. Baio,

Executive Vice President and Chief Financial Officer

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EXHIBIT INDEX**Exhibit No.**

- 3(i)(a) Registrant's Certificate of Incorporation, as filed November 28, 1969, incorporated by reference to Exhibit (3)(i) to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 001-09318) (the 1994 Annual Report)
- 3(i)(b) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed March 1, 1985, incorporated by reference to Exhibit 3(ii) to the 1994 Annual Report
- 3(i)(c) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed April 1, 1987, incorporated by reference to Exhibit 3(iii) to the 1994 Annual Report
- 3(i)(d) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed February 2, 1994, incorporated by reference to Exhibit 3(iv) to the 1994 Annual Report
- 3(i)(e) Registrant's Certificate of Amendment of Certificate of Incorporation, as filed on February 4, 2005, incorporated by reference to Exhibit (3)(i)(e) to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)
- 3(ii) Registrant's Amended and Restated By-laws of Franklin Resources, Inc. adopted October 11, 2005, incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on October 14, 2005 (File No. 001-09318)
- 4.1 Indenture between Franklin Resources, Inc. and The Chase Manhattan Bank (formerly Chemical Bank), as trustee, dated as of May 19, 1994, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-3, filed on April 14, 1994 (File No. 033-53147)
- 4.2 Indenture between Franklin Resources, Inc. and The Bank of New York dated May 11, 2001, incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3, filed on August 6, 2001 (File No. 333-66958)
- 4.3 Form of Liquid Yield Option Note due 2031 (Zero Coupon-Senior) (included in Exhibit 4.2 hereto)
- 4.4 Registration Rights Agreement between Franklin Resources, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch) dated May 11, 2001, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3, filed on August 6, 2001 (File No. 333-66958)
- 4.5 Form of 3.7% Senior Notes due 2008, incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003 filed on May 12, 2003 (File No. 001-09318)
- 10.1 Representative Distribution Plan between Templeton Growth Fund, Inc. and Franklin/Templeton Investor Services, Inc., incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 (File No. 001-09318) (the 1993 Annual Report)
- 10.2 Representative Transfer Agent Agreement between Templeton Growth Fund, Inc. and Franklin/Templeton Investor Services, Inc., incorporated by reference to Exhibit 10.3 to the 1993 Annual Report
- 10.3 Representative Investment Management Agreement between Templeton Growth Fund, Inc. and Templeton, Galbraith & Hansberger Ltd., incorporated by reference to Exhibit 10.5 to the 1993 Annual Report
- 10.4 Representative Management Agreement between Advisers and the Franklin Group of Funds, incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1992 (File No. 001-09318) (the 1992 Annual Report)

Exhibit No.

- 10.5 Representative Distribution 12b-1 Plan between FTDI and the Franklin Group of Funds, incorporated by reference to Exhibit 10.3 to the 1992 Annual Report
- 10.6 Representative Amended and Restated Distribution Agreement between Franklin/Templeton Distributors, Inc. and Franklin Federal Tax-Free Income Fund, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 (File No. 001-09318) (the June 1995 Quarterly Report)
- 10.7 Distribution 12b-1 Plan for Class II shares between Franklin/Templeton Distributors, Inc. and Franklin Federal Tax-Free Income Fund, incorporated by reference to Exhibit 10.2 to the June 1995 Quarterly Report
- 10.8 Representative Investment Management Agreement between Templeton Global Strategy SICAV and Templeton Investment Management Limited, incorporated by reference to Exhibit 10.3 to the June 1995 Quarterly Report
- 10.9 Representative Sub-Distribution Agreement between Templeton, Galbraith & Hansberger Ltd. and BAC Corp. Securities, incorporated by reference to Exhibit 10.4 to the June 1995 Quarterly Report
- 10.10 Representative Dealer Agreement between Franklin/Templeton Distributors, Inc. and Dealer, incorporated by reference to Exhibit 10.5 to the June 1995 Quarterly Report
- 10.11 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (ERISA), incorporated by reference to Exhibit 10.6 to the June 1995 Quarterly Report
- 10.12 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (non-ERISA), incorporated by reference to Exhibit 10.7 to the June 1995 Quarterly Report
- 10.13 Representative Amended and Restated Transfer Agent and Shareholder Services Agreement between Franklin/Templeton Investor Services, Inc. and Franklin Custodian Funds, Inc., dated July 1, 1995, incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 001-09318) (the 1995 Annual Report)
- 10.14 Representative Amended and Restated Distribution Agreement between Franklin/Templeton Distributors, Inc. and Franklin Custodian Funds, Inc., incorporated by reference to Exhibit 10.17 to the 1995 Annual Report
- 10.15 Representative Class II Distribution Plan between Franklin/Templeton Distributors, Inc. and Franklin Custodian Funds, Inc., on behalf of its Growth Series, incorporated by reference to Exhibit 10.18 to the 1995 Annual Report
- 10.16 Representative Dealer Agreement between Franklin/Templeton Distributors, Inc. and Dealer, incorporated by reference to Exhibit 10.19 to the 1995 Annual Report
- 10.17 Representative Mutual Fund Purchase and Sales Agreement for Accounts of Bank and Trust Company Customers, effective July 1, 1995, incorporated by reference to Exhibit 10.20 to the 1995 Annual Report
- 10.18 Representative Management Agreement between Franklin Value Investors Trust, on behalf of Franklin MicroCap Value Fund and Franklin Advisers, Inc., incorporated by reference to Exhibit 10.21 to the 1995 Annual Report
- 10.19 Representative Sub-Distribution Agreement between Templeton, Galbraith & Hansberger Ltd. and Sub-Distributor, incorporated by reference to Exhibit 10.22 to the 1995 Annual Report

Exhibit No.

- 10.20 Representative Non-Exclusive Underwriting Agreement between Templeton Growth Fund, Inc. and Templeton/Franklin Investments Services (Asia) Limited, dated September 18, 1995, incorporated by reference to Exhibit 10.23 to the 1995 Annual Report
- 10.21 Representative Shareholder Services Agreement between Franklin/Templeton Investor Services, Inc. and Templeton/Franklin Investments Services (Asia) Limited, dated September 18, 1995, incorporated by reference to Exhibit 10.24 to the 1995 Annual Report
- 10.22 Agreement to Merge the Businesses of Heine Securities Corporation, Elmore Securities Corporation, and Franklin Resources, Inc., dated June 25, 1996, incorporated by reference to Exhibit 2 to the Company's Report on Form 8-K dated June 25, 1996 (File No. 001-09318)
- 10.23 Subcontract for Transfer Agency and Shareholder Services dated November 1, 1996 by and between Franklin/Templeton Investor Services, Inc. and PFPC Inc., incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 001-09318) (the 1996 Annual Report)
- 10.24 Representative Sample of Franklin/Templeton Investor Services, Inc. Transfer Agent and Shareholder Services Agreement, incorporated by reference to Exhibit 10.26 to the 1996 Annual Report
- 10.25 Representative Administration Agreement between Templeton Growth Fund, Inc. and Franklin Templeton Services, Inc., incorporated by reference to Exhibit 10.27 to the 1996 Annual Report
- 10.26 Representative Sample of Fund Administration Agreement with Franklin Templeton Services, Inc., incorporated by reference to Exhibit 10.28 to the 1996 Annual Report
- 10.27 Representative Subcontract for Fund Administrative Services between Franklin Advisers, Inc. and Franklin Templeton Services, Inc., incorporated by reference to Exhibit 10.29 to the 1996 Annual Report
- 10.28 Representative Investment Advisory Agreement between Franklin Mutual Series Fund Inc. and Franklin Mutual Advisers, Inc., incorporated by reference to Exhibit 10.30 to the 1996 Annual Report
- 10.29 Representative Management Agreement between Franklin Valuemark Funds and Franklin Mutual Advisers, Inc., incorporated by reference to Exhibit 10.31 to the 1996 Annual Report
- 10.30 Representative Investment Advisory and Asset Allocation Agreement between Franklin Templeton Fund Allocator Series and Franklin Advisers, Inc., incorporated by reference to Exhibit 10.32 to the 1996 Annual Report
- 10.31 Representative Management Agreement between Franklin New York Tax-Free Income Fund, Inc. and Franklin Investment Advisory Services, Inc., incorporated by reference to Exhibit 10.33 to the 1996 Annual Report
- 10.32 System Development and Services Agreement dated as of August 29, 1997 by and between Franklin/Templeton Investor Services, Inc. and Sungard Shareholder Systems, Inc., incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 001-09318)
- 10.33 1998 Universal Stock Incentive Plan approved October 16, 1998 by the Board of Directors, incorporated by reference to Exhibit A the Company's Proxy Statement filed under cover of Schedule 14A on December 23, 1998 in connection with its Annual Meeting of Stockholders held on January 28, 1999 (File No. 001-09318)*

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Exhibit No.

- 10.34 Amendment No. 3 to the Agreement to Merge the Businesses of Heine Securities Corporation, Elmore Securities Corporation, and Franklin Resources, Inc., dated December 17, 1997, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997 (File No. 001-09318)
- 10.35 Representative Agreement for the Supply of Investment Management and Administration Services, dated February 16, 1998, by and between Templeton Funds and Templeton Investment Management Limited, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 (File No. 001-09318)
- 10.36 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (ERISA), as amended, incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 1998 (File No. 001-09318) (the 1998 Annual Report)
- 10.37 Representative Investment Management Agreement between Templeton Investment Counsel, Inc. and Client (non-ERISA), as amended, incorporated by reference to Exhibit 10.40 to the 1998 Annual Report
- 10.38 Representative Variable Insurance Fund Participation Agreement among Templeton Variable Products Series Fund or Franklin Valuemark Fund, Franklin/Templeton Distributors, Inc. and an insurance company, incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended December 31, 1998 (File No. 001-09318)
- 10.39 Purchase Agreement between Mariners Island Co-Tenancy and Keynote Systems, Inc. dated April 25, 2000, incorporated by reference to Exhibit 10 to the Company's Report on Form 10-Q for the quarterly period ended June 30, 2000 (File No. 001-09318)
- 10.40 Acquisition Agreement dated July 26, 2000 among Franklin Resources, Inc., FTI Acquisition and Bissett & Associates Investment Management, Ltd., incorporated by reference to Exhibit 2.1 to the Company's Report on Form 8-K dated August 1, 2000 (File No. 001-09318)
- 10.41 Agreement and Plan of Share Acquisition between Franklin Resources, Inc. and Fiduciary Trust Company International dated October 25, 2000, incorporated by reference to Exhibit 2 to the Company's Report on Form 8-K/A (Amendment No. 1) dated October 25, 2000 and filed on October 26, 2000 (File No. 001-09318)
- 10.42 Representative Amended and Restated Distribution Agreement among Templeton Emerging Markets Fund, Templeton Canadian Bond Fund, Templeton International Stock Fund, Templeton Canadian Stock Fund, Templeton Global Smaller Companies Fund, Templeton Global Bond Fund, Templeton Treasury Bill Fund, Templeton Global Balanced Fund, Templeton International Balanced Fund, Templeton Canadian Asset Allocation Fund, Mutual Beacon Fund, Franklin U.S. Small Cap Growth Fund, Templeton Balanced Fund, Templeton Growth Fund, Ltd., Templeton Management Limited, and FEP Capital, L.P. dated December 31, 1998, incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 001-09318) (the 2000 Annual Report)
- 10.43 Representative Purchase and Sales Agreement by and among Franklin/Templeton Distributors, Inc., Franklin Resources, Inc., and Lightning Finance Company Limited dated August 1, 1999, incorporated by reference to Exhibit 10.46 to the 2000 Annual Report
- 10.44 Representative Advisory Agreement between Templeton Global Advisors Limited and Templeton Asset Management Limited dated December 21, 1999, incorporated by reference to Exhibit 10.47 to the 2000 Annual Report
- 10.45 Representative Amended and Restated Commission Paying Agreement between Templeton Global Strategy Funds, Templeton Global Advisors Limited, Templeton Global Strategic Services S.A., and Lightning Finance Company Limited dated January 31, 2000, incorporated by reference to Exhibit 10.48 to the 2000 Annual Report
- 10.46 Representative Variable Insurance Fund Participation Agreement among Franklin Templeton Variable Insurance Products Trust (formerly Franklin Valuemark Funds), Franklin/Templeton Distributors, Inc., and CUNA Mutual Life Insurance Company dated May 1, 2000, incorporated by reference to Exhibit 10.49 to the 2000 Annual Report
- 10.47 Stock Purchase Agreement between Good Morning Securities Co., Ltd. and Templeton Investment Counsel, Inc. dated June 29, 2000, incorporated by reference to Exhibit 10.50 to the 2000 Annual Report

Exhibit No.

- 10.48 Agreement entered into between NEDCOR Investment Bank Holdings Limited, NEDCOR Investment Bank Limited, Templeton International, Inc., Franklin Templeton Asset Management (Proprietary) Limited, and Templeton Global Advisors Limited dated August 1, 2000, incorporated by reference to Exhibit 10.51 to the 2000 Annual Report
- 10.49 Representative Amended and Restated Distribution Agreement between Franklin/Templeton Distributors, Inc. and Franklin Growth and Income Fund dated August 10, 2000, incorporated by reference to Exhibit 10.52 to the 2000 Annual Report
- 10.50 Employment Agreement entered into on December 22, 2000 by and among Anne M. Tatlock, Fiduciary Trust Company International and Franklin Resources, Inc., incorporated by reference to Exhibit 10.53 to the Company's Report on Form 10-Q for the quarterly period ended December 31, 2000 (File No. 001-09318)*
- 10.51 Amended and Restated 1998 Universal Stock Incentive Plan as approved by the Board of Directors on October 28, 2000 and the Stockholders at the Annual Meeting held on January 25, 2001, incorporated by reference to Exhibit 10.54 to the Company's Report on Form 10-Q for the quarterly period ended December 31, 2000 (File No. 001-09318)*
- 10.52 Representative Sub-Advisory Agreement between FTTrust Company, on behalf of Templeton International Smaller Companies Fund, Templeton Investment Counsel, LLC, and Templeton Asset Management Limited, dated January 23, 2001, incorporated by reference to Exhibit 10.55 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 001-09318)
- 10.53 Managed Operations Services Agreement between Franklin Templeton Companies, LLC, and International Business Machines Corporation dated February 6, 2001, incorporated by reference to Exhibit 10.56 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 001-09318)
- 10.54 Representative Agency Agreement between FTTrust Company and Franklin/Templeton Investor Services, LLC, dated April 1, 2001, incorporated by reference to Exhibit 10.57 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 001-09318)
- 10.55 Lease between RCPI Landmark Properties, L.L.C. and Franklin Templeton Companies, LLC dated September 30, 2001, incorporated by reference to Exhibit 10.58 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 001-09318) (the 2001 Annual Report)
- 10.56 Synthetic Lease Financing Facility Agreements dated September 27, 1999, incorporated by reference to Exhibit 10.59 to the 2001 Annual Report
- 10.57 Representative Amended and Restated Master Management Agreement between Franklin Templeton Investment Corp., as Trustee of mutual funds and Franklin Templeton Investment Corp., as Manager, dated May 31, 2001, incorporated by reference to Exhibit 10.60 to the 2001 Annual Report
- 10.58 Representative Master Management Agreement dated May 31, 2001 between Franklin Templeton Tax Class Corp. and Franklin Templeton Investments Corp., incorporated by reference to Exhibit 10.61 to the 2001 Annual Report
- 10.59 Form of Deferred Compensation Agreement for Director's Fees, as amended, incorporated by reference to Exhibit 10.62 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2002 (File No. 001-09318)*
- 10.60 Franklin Resources, Inc. 1998 Employee Stock Investment Plan as amended by the Board of Directors on October 10, 2002, incorporated by reference to Exhibit 4.6 to the Company's Report on Form S-8 filed on October 28, 2002 (File No. 333-100801)*

Exhibit No.

- 10.61 Settlement Agreement and Release of All Claims dated July 7, 2002 between Franklin Resources, Inc. and Allen J. Gula, Jr., incorporated by reference to Exhibit 10.66 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2002 (File No. 001-09318) (the 2002 Annual Report)
- 10.62 Stock Purchase Agreements dated July 23, 2002 between Templeton Asset Management (India) Private Limited and Pioneer Investment Management, Inc. and various employee shareholders, incorporated by reference to Exhibit 10.67 to the 2002 Annual Report
- 10.63 2002 Universal Stock Incentive Plan as approved by the Board of Directors on October 10, 2002 and the Stockholders at the Annual Meeting held on January 30, 2003, incorporated by reference to Exhibit 10.68 to the Company's Report on Form 10-Q for the quarterly period ended December 31, 2002 (File No. 001-09318)
- 10.64 Amendments dated July 2, 2001, June 10, 2002 and February 3, 2003 to the Managed Operations Services Agreement dated February 6, 2001, between Franklin Templeton Companies, LLC and International Business Machines Corporation, incorporated by reference to Exhibit 10.69 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2003 (File No. 001-09318)
- 10.65 Representative Form of Franklin Templeton Investor Services, LLC Transfer Agent and Shareholder Services Agreement, incorporated by reference to Exhibit 10.70 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2003 (File No. 001-09318)
- 10.66 Amendments dated July 1, 2003 and September 1, 2003 to the Managed Operations Service Agreement dated February 6, 2001, between Franklin Templeton Companies, LLC and International Business Machines Corporation, incorporated by reference to Exhibit 10.71 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 001-09318) (the 2003 Annual Report)
- 10.67 Purchase Agreement by and among Franklin Resources, Inc., Darby Holdings, Inc. and certain other named parties dated as of August 1, 2003, incorporated by reference to Exhibit 10.72 to the 2003 Annual Report
- 10.68 Settlement and Release Agreement between Franklin Resources, Inc. and Great Northern Insurance Company dated January 15, 2004, incorporated by reference to Exhibit 10.74 to the Company's Report on Form 10-Q for the quarterly period ended March 31, 2004 (File No. 001-09318)
- 10.69 2004 Key Executive Incentive Compensation Plan approved by the Board of Directors on December 11, 2003 and the Stockholders at the Annual Meeting held on January 29, 2004 (the 2004 Annual Meeting), incorporated by reference to Appendix E to the Company's Proxy Statement filed under cover of Schedule 14A on December 24, 2003 (File No. 001-09318)*
- 10.70 Form of Restricted Stock Award Agreement and Notice of Restricted Stock Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.74 to the Company's Report on Form 8-K filed with the SEC on November 12, 2004 (File No. 001-09318)*
- 10.71 Form of Stock Option Agreement and Notice of Stock Option Grant under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.75 to the Company's Report on Form 8-K filed with the SEC on November 12, 2004 (File No. 001-09318)*

Exhibit No.

- 10.72 Form of Restricted Stock Award Agreement and Notice of Restricted Stock Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on November 19, 2004 (File No. 001-09318)*
- 10.73 Form of Restricted Stock Unit Award Agreement and Notice of Restricted Stock Unit Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed with the SEC on November 19, 2004 (File No. 001-09318)*
- 10.74 Form of Restricted Stock Award Agreement and Notice of Restricted Stock Award under the Company's 2002 Universal Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on December 21, 2004 (File No. 001-09318)*
- 10.75 Franklin Resources, Inc. Deferred Compensation Arrangement for Director's Fees, dated as of January 21, 2005, by and between Franklin Resources, Inc. and Samuel H. Armacost incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on January 27, 2005 (File No. 001-09318)*
- 10.76 Franklin Resources, Inc. 2002 Universal Stock Incentive Plan (as amended and restated December 16, 2004) incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed with the SEC on January 27, 2005 (File No. 001-09318)*
- 10.77 Franklin Resources, Inc. Amended and Restated Annual Incentive Compensation Plan (as amended and restated December 16, 2004), incorporated by reference to Exhibit 10.85 to the Registrant's Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)*
- 10.78 Description of Performance Goals for the Company's Co-Chief Executive Officers for the 2005 Fiscal Year under the 2004 Key Executive Compensation Plan, incorporated by reference to Exhibit 10.87 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)*
- 10.79 Five Year Facility Credit Agreement dated as of June 10, 2005 among Franklin Resources, Inc., the Banks parties thereto, Bank of America, N.A. and The Bank of New York, as Co-Syndication Agents, Citibank, N.A. and BNP Paribas, as Co-Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on June 16, 2005 (File No. 001-09318)
- 10.80 Agreement, dated as of June 1, 2005, by and between Franklin Resources, Inc. and Craig S. Tyle., incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed with the SEC on September 7, 2005 (File No. 001-09318)*
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