



FRANKLIN TEMPLETON
INVESTMENTS

40-33
811-6242

One Franklin Parkway
San Mateo, CA 94403-1906
tel 650/312.2000
franklintempleton.com

April 20, 2004



04029006



Filing Desk
U.S. Securities and Exchange Commission
450 Fifth Street N.W.
Washington, DC 20549

Re: Filings for All Listed Parties as Attached in Exhibit A Pursuant to Section 33(a) of the Investment Company Act of 1940, as amended (the "1940 Act").

Ladies and Gentlemen:

Enclosed for filing pursuant to Section 33(a) of the 1940 Act, on behalf of all listed parties named in attached Exhibit A, as applicable, is a copy of a Complaint filed by a shareholder of the Fund in the United States District Court, Northern District of California in the matter of Stephen Alexander v. Franklin AGE High Income Fund, et al. Case No. C 04 0639 SC.

Please acknowledge receipt of this filing by date-stamping the enclosed copy of this letter and returning it in the envelope provided.

If you have any questions, please contact the undersigned at (650) 312-4843.

Sincerely,

Aliya Gordon
Associate Corporate Counsel

PROCESSED

MAY 05 2004

THOMSON
FINANCIAL

Enclosure

Barbara J. Green, Esq. (w/o enclosure)
Murray L. Simpson, Esq. (w/o enclosure)

Exhibit A

<i>Fund/Trust Name</i>	<i>811 Number</i>	<i>Adviser</i>
Adjustable Rate Securities Portfolio	811-6242	Franklin Advisers, Inc.
Franklin California Tax-Free Income Fund, Inc.	811-730	Franklin Advisers, Inc.
Franklin California Tax-Free Trust	811-4356	Franklin Advisers, Inc.
Franklin Capital Growth Fund	811-334	Franklin Advisers, Inc.
Franklin Custodian Funds, Inc.	811-537	Franklin Advisers, Inc.
Franklin Custodian Funds, Inc.- <i>Franklin Growth Fund</i>	811-537	Franklin Investment Advisory Services, Inc.
Franklin Federal Money Fund	811-3052	Franklin Advisers, Inc.
Franklin Federal Tax-Free Income Fund	811-3395	Franklin Advisers, Inc.
Franklin Floating Rate Master Trust	811-09869	Franklin Advisers, Inc.
Franklin Global Trust- -Global Aggressive Growth -Global Growth -Internat'l Smaller Cos. Growth	811-10157	Franklin Advisers, Inc. (subadvised by Fiduciary International, Inc.)
Franklin Global Trust- -Fiduciary European Smaller Companies		

-Fiduciary Large Capitalization Growth and Income -Fiduciary Small Capitalization Equity -Fiduciary Core Fixed Income -Fiduciary Core Plus Fixed Income -Fiduciary High Income	811-10157	Fiduciary International, Inc. (subadvised by Franklin Advisers, Inc.)
Franklin Gold and Precious Metals	811-1700	Franklin Advisers, Inc.
Franklin High Income Trust	811-1608	Franklin Advisers, Inc.
Franklin Investors Securities Trust	811-4986	Franklin Advisers, Inc.
Franklin Managed Trust	811-4894	Franklin Advisory Services, Inc.
Franklin Money Fund	811-2605	Franklin Advisers, Inc.
Franklin Municipal Securities Trust	811-6481	Franklin Advisers, Inc.
Franklin Mutual Series Fund, Inc.	811-5387	Franklin Mutual Advisers, Inc.
Franklin New York Tax-Free Income	811-3479	Franklin Advisers, Inc.
Franklin New York Tax-Free Trust	811-4787	Franklin Advisers, Inc.
Franklin Real Estate Securities Trust	811-8034	Franklin Advisers, Inc.
Franklin Strategic Mortgage Portfolio	811-7288	Franklin Advisers, Inc.
Franklin Strategic Series -all except U.S. Long-Short	811-6243	Franklin Advisers, Inc. (U.S. L-S subadvised by Franklin Templeton

		Alternative Strategies, Inc.
Franklin Tax-Exempt Money Fund	811-3193	Franklin Advisers, Inc.
Franklin Tax-Free Trust	811-4149	Franklin Advisers, Inc.
Franklin Templeton Fund Allocator Series	811-7851	Franklin Advisers, Inc.
Franklin Templeton Global Trust	811-4450	Franklin Advisers, Inc.
Franklin Templeton International Trust	811-6336	Franklin Advisers, Inc.
Templeton Foreign Smaller Cos.		-subadvised by Templeton Investment Counsel, LLC and further subadvised by Franklin Templeton Investments (Asia) Limited
Templeton Global Long-Short		-subadvised by Templeton Global Advisors, Ltd.
Franklin Templeton Money Fund Trust	811-8962	Franklin Advisers, Inc.
Franklin Templeton Variable Insurance Products Trust	811-5583	Franklin Advisers, Inc.
-Templeton Developing Markets		Templeton Asset Management, Ltd.
-Templeton Global Asset Allocation		Templeton Investment Counsel, Inc.
-Templeton Growth Securities		(subadvised by Franklin Advisers, Inc.)

		-Templeton Global Advisors, Ltd. (subadvised by Templeton Asset Management, Ltd.)
Franklin Value Investors Trust	811-5878	Franklin Advisory Services, LLC
Institutional Fiduciary Trust	811-4267	Franklin Advisers, Inc.
The Money Market Portfolios	811-7038	Franklin Advisers, Inc.
Franklin Universal Trust (closed end)	811-5569	Franklin Advisers, Inc.
Templeton China World	811-7876	Templeton Asset Management, Ltd.
Templeton Developing Markets Trust	811-6378	Templeton Asset Management, Ltd.
Templeton Funds, Inc.	811-2781	Templeton Global Advisors, Ltd.
Templeton Global Investment Trust	811-8226	<i>Templeton Internat'l (ex EM) Fund-</i> Templeton Global Advisors, Ltd. <i>FT Non-U.S. Dynamic Core Equity Series-</i> Franklin Templeton Alternative Strategies, Inc. -subadvised by Fiduciary Internat'l, Inc.
Templeton Global Opportunities Trust	811-5914	Templeton Investment Counsel, LLC
Templeton Global Smaller Companies Fund, Inc.	811-3143	Templeton Investment Counsel, LLC -subadvised by F-T Investments (Asia)

		Ltd
Templeton Growth Fund, Inc.	811-4892	Templeton Global Advisors, Ltd.
Templeton Income Trust	811-4706	Franklin Advisers, Inc.
Not sure if mentioned in Complaint directly, but Templeton Institutional Funds, Inc.	811-6135	<p><i>Emerging Markets Series -</i> Templeton Asset Management, Ltd.</p> <p><i>Emerging Fixed Income Markets Series -</i> Franklin Advisers, Inc.</p> <p><i>Foreign Equity Series -</i> Templeton Investment Counsel, Inc.</p> <p><i>Foreign Smaller Companies Series -</i> Templeton Investment Counsel, LLC -subadvised by FT Investments (Asia) Limited</p> <p><i>FT Non U.S. Core Equity Series -</i> FT Alternative Strategies, Inc. -subadvised by Fiduciary Internat'l, Inc.</p>

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RICHARD W. WILSON
CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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E-filing

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Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

STEPHEN ALEXANDER, Individually and
on Behalf of All Others Similarly Situated

Plaintiff,

vs.

FRANKLIN AGE HIGH INCOME FUND,
FRANKLIN ADJUSTABLE U.S.
GOVERNMENT SECURITIES FUND,
FRANKLIN AGGRESSIVE GROWTH
FUND FRANKLIN ALABAMA TAX-FREE
INCOME FUND, FRANKLIN ARIZONA
TAX-FREE INCOME FUND, FRANKLIN
BALANCE SHEET INVESTMENT FUND,
FRANKLIN BIOTECHNOLOGY
DISCOVERY FUND, FRANKLIN BLUE
CHIP FUND, FRANKLIN CALIFORNIA
HIGH YIELD MUNICIPAL FUND,

Case No. 04

0639

SC

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

[Caption Continues On Next Page]

CLASS ACTION COMPLAINT

1 FRANKLIN CALIFORNIA INSURED TAX-
2 FREE INCOME FUND, FRANKLIN
3 CALIFORNIA INTERMEDIATE-TERM
4 TAX-FREE INCOME FUND, FRANKLIN
5 CALIFORNIA LIMITED TERM TAX-FREE
6 INCOME FUND, FRANKLIN CALIFORNIA
7 TAX-EXEMPT MONEY FUND, FRANKLIN
8 CALIFORNIA TAX-FREE INCOME FUND,
9 FRANKLIN CAPITAL GROWTH FUND,
10 FRANKLIN COLORADO TAX-FREE
11 INCOME FUND, FRANKLIN
12 CONNECTICUT TAX-FREE INCOME
13 FUND, FRANKLIN CONVERTIBLE
14 SECURITIES FUND, FRANKLIN DOUBLE
15 TAX-FREE INCOME FUND, FRANKLIN
16 DYNATECH FUND, FRANKLIN EQUITY
17 INCOME FUND, FRANKLIN FEDERAL
18 INTERMEDIATE-TERM TAX-FREE
19 INCOME FUND, FRANKLIN FEDERAL
20 LIMITED TERM TAX-FREE INCOME
21 FUND, FRANKLIN FEDERAL MONEY
22 FUND, FRANKLIN FEDERAL TAX-FREE
23 INCOME FUND, FRANKLIN FLEX CAP
24 GROWTH FUND FRANKLIN FLOATING
25 RATE DAILY ACCESS FUND, FRANKLIN
26 FLOATING RATE TRUST, FRANKLIN
27 FLORIDA INSURED TAX-FREE INCOME
28 FUND, FRANKLIN FLORIDA TAX-FREE
INCOME FUND, FRANKLIN GEORGIA
TAX-FREE INCOME FUND, FRANKLIN
GLOBAL AGGRESSIVE GROWTH FUND,
FRANKLIN GLOBAL COMMUNICATIONS
FUND, FRANKLIN GLOBAL GROWTH
FUND, FRANKLIN GLOBAL HEALTH
CARE FUND, FRANKLIN GOLD AND
PRECIOUS METALS FUND, FRANKLIN
GROWTH FUND, FRANKLIN HIGH YIELD
TAX-FREE INCOME FUND, FRANKLIN
INCOME FUND, FRANKLIN INSURED
TAX-FREE INCOME FUND, FRANKLIN
KENTUCKY TAX-FREE INCOME FUND,
FRANKLIN LARGE CAP GROWTH FUND,
FRANKLIN LARGE CAP VALUE FUND,
FRANKLIN LOUISIANA TAX-FREE
INCOME FUND, FRANKLIN MARYLAND
TAX-FREE INCOME FUND, FRANKLIN
MASSACHUSETTS INSURED TAX-FREE
INCOME FUND, FRANKLIN MICHIGAN
INSURED TAX-FREE INCOME FUND,
FRANKLIN MICROCAP VALUE FUND,

[Caption Continues On Next Page]

1 FRANKLIN MINNESOTA INSURED TAX-
2 FREE INCOME FUND, FRANKLIN
3 MISSOURI TAX-FREE INCOME FUND,
4 FRANKLIN MONEY FUND, FRANKLIN
5 NATURAL RESOURCES FUND,
6 FRANKLIN NEW JERSEY TAX-FREE
7 INCOME FUND, FRANKLIN NEW YORK
8 INSURED TAX-FREE INCOME FUND,
9 FRANKLIN NEW YORK INTERMEDIATE-
10 TERM TAX-FREE INCOME FUND,
11 FRANKLIN NEW YORK LIMITED TERM
12 TAX-FREE INCOME FUND, FRANKLIN
13 NEW YORK TAX-EXEMPT MONEY
14 FUND, FRANKLIN NEW YORK TAX-FREE
15 INCOME FUND, FRANKLIN NORTH
16 CAROLINA TAX-FREE INCOME FUND,
17 FRANKLIN OHIO INSURED TAX-FREE
18 INCOME FUND, FRANKLIN OREGON
19 TAX-FREE INCOME FUND, FRANKLIN
20 PENNSYLVANIA TAX-FREE INCOME
21 FUND, FRANKLIN REAL ESTATE
22 SECURITIES FUND, FRANKLIN RISING
23 DIVIDENDS FUND, FRANKLIN SHORT-
24 INTERMEDIATE U.S. GOVERNMENT
25 SECURITIES FUND, FRANKLIN SMALL
26 CAP GROWTH FUND II, FRANKLIN
27 SMALL CAP VALUE FUND, FRANKLIN
28 SMALL-MID CAP GROWTH FUND,
FRANKLIN STRATEGIC INCOME FUND,
FRANKLIN STRATEGIC MORTGAGE
PORTFOLIO, FRANKLIN TAX-EXEMPT
MONEY FUND, FRANKLIN
TECHNOLOGY FUND, FRANKLIN
TEMPLETON CONSERVATIVE TARGET
FUND, FRANKLIN TEMPLETON
COREFOLIO ALLOCATION FUND,
FRANKLIN TEMPLETON FOUNDING
FUNDS ALLOCATION FUND, FRANKLIN
TEMPLETON GROWTH TARGET FUND,
FRANKLIN TEMPLETON HARD
CURRENCY FUND, FRANKLIN
TEMPLETON MODERATE TARGET
FUND, FRANKLIN TEMPLETON MONEY
FUND, FRANKLIN TENNESSEE
MUNICIPAL BOND FUND, FRANKLIN
TEXAS TAX-FREE INCOME FUND,
FRANKLIN TOTAL RETURN FUND,
FRANKLIN U.S. GOVERNMENT
SECURITIES FUND, FRANKLIN U.S.
LONG-SHORT FUND, FRANKLIN

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1 UTILITIES FUND, FRANKLIN VIRGINIA
2 TAX-FREE INCOME FUND, TEMPLETON
3 CHINA WORLD FUND, TEMPLETON
4 DEVELOPING MARKETS TRUST,
5 TEMPLETON FOREIGN FUND,
6 TEMPLETON FOREIGN SMALLER
7 COMPANIES FUND, TEMPLETON
8 GLOBAL BOND FUND, TEMPLETON
9 GLOBAL LONG-SHORT FUND,
10 TEMPLETON GLOBAL OPPORTUNITIES
11 TRUST, TEMPLETON GLOBAL SMALLER
12 COMPANIES FUND, INC., TEMPLETON
13 GROWTH FUND, INC., TEMPLETON
14 INTERNATIONAL (EX EM) FUND,
15 TEMPLETON LATIN AMERICA FUND,
16 TEMPLETON PACIFIC GROWTH FUND,
17 TEMPLETON WORLD FUND, MUTUAL
18 BEACON FUND, MUTUAL DISCOVERY
19 FUND, MUTUAL EUROPEAN FUND,
20 MUTUAL FINANCIAL SERVICES FUND,
21 MUTUAL QUALIFIED FUND, MUTUAL
22 RECOVERY FUND, MUTUAL SHARES
23 FUND (collectively known as the
24 "FRANKLIN FUNDS"); FRANKLIN ASSET
25 ALLOCATION FUND, FRANKLIN
26 CALIFORNIA TAX FREE INCOME FUND
27 INC., FRANKLIN CALIFORNIA TAX FREE
28 TRUST, FRANKLIN CAPITAL GROWTH
FUND, FRANKLIN CUSTODIAN FUNDS
INC., FRANKLIN FEDERAL MONEY
FUND, FRANKLIN FEDERAL TAX FREE
INCOME FUND, FRANKLIN FLOATING
RATE MASTER TRUST, FRANKLIN
FLOATING RATE TRUST, FRANKLIN
GLOBAL TRUST, FRANKLIN HIGH
INCOME TRUST, FRANKLIN
TEMPLETON INTERNATIONAL TRUST,
FRANKLIN INVESTORS SECURITIES
TRUST, FRANKLIN MANAGED TRUST,
FRANKLIN MONEY FUND, FRANKLIN
MULTI INCOME TRUST, FRANKLIN
MUNICIPAL SECURITIES TRUST,
FRANKLIN MUTUAL SERIES FUND INC.,
FRANKLIN NEW YORK TAX FREE
INCOME FUND, FRANKLIN NEW YORK
TAX FREE TRUST, FRANKLIN REAL
ESTATE SECURITIES TRUST, FRANKLIN
STRATEGIC MORTGAGE PORTFOLIO,
FRANKLIN STRATEGIC SERIES,

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27
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1 FRANKLIN TAX ADVANTAGED HIGH
2 YIELD SECURITIES FUND, FRANKLIN
3 TAX ADVANTAGED INTERNATIONAL
4 BOND FUND, FRANKLIN TAX
5 ADVANTAGED U.S. GOVERNMENT
6 SECURITIES FUND, FRANKLIN TAX
7 EXEMPT MONEY FUND, FRANKLIN TAX
8 FREE TRUST, FRANKLIN TEMPLETON
9 FUND ALLOCATOR SERIES, FRANKLIN
10 TEMPLETON GLOBAL TRUST,
11 FRANKLIN TEMPLETON JAPAN FUND,
12 FRANKLIN TEMPLETON MONEY FUND
13 TRUST, FRANKLIN TEMPLETON
14 SERVICES LLC. (collectively known as the
15 "FRANKLIN FUNDS REGISTRANTS");
16 FRANKLIN RESOURCES, INC.;
17 FRANKLIN ADVISERS, INC.;
18 TEMPLETON/FRANKLIN INVESTMENT
19 SERVICES, INC.; FRANKLIN PRIVATE
20 CLIENT SERVICES, INC.; FRANKLIN
21 MUTUAL ADVISERS, LLC; WILLIAM
22 POST; SECURITY BROKERAGE, INC.;
23 DANIEL G. CALUGAR, DCIP, L.P.;
24 FRANKLIN TEMPLETON STRATEGIC
25 GROWTH FUND, L.P.; and JOHN DOES 1-
26 100

Defendants.

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1 Plaintiff alleges the following based upon the investigation of plaintiff's counsel, which
2 included a review of regulatory filings and reports and advisories; press releases and media
3 reports about the subject matter of this complaint, and the following complaints: *Securities*
4 *Exchange Commission v. Daniel Calugar and Security Brokerage, Inc.*, No. CV-S-03-1600-
5 RCJ-RJJ (D. Nev. filed Dec. 22, 2003), and *In re: Franklin Resources, Inc.*, No. E-2004-007
6 (Mass. Sec. Div. Enforcement Sec. filed on Feb. 4, 2004). Plaintiff believes that substantial
7 additional evidentiary support will exist for the allegations set forth herein after a reasonable
8 opportunity for discovery.

8 NATURE OF THE ACTION

9 1. This is a federal class action on behalf of a class consisting of all persons other
10 than defendants who purchased or otherwise acquired shares or other ownership units of one or
11 more of the mutual funds in the Franklin family of funds (*i.e.*, the Franklin Funds as defined in
12 the caption, above) between February 6, 1999 and February 4, 2004, inclusive (the "Class
13 Period"), and who were damaged thereby (the "Class"). Plaintiff seeks to pursue remedies under
14 the Securities Act of 1933 (the "Securities Act"), the Securities Exchange Act of 1934 (the
15 "Exchange Act") and the Investment Advisers Act of 1940 (the "Investment Advisers Act").

16 2. This action charges defendants with engaging in an unlawful and deceitful course
17 of conduct designed to improperly financially advantage defendants to the detriment of plaintiff
18 and the other members of the Class. As part and parcel of defendants' unlawful conduct, the
19 Fund Defendants, as defined below, in clear contravention of their fiduciary responsibilities, and
20 disclosure obligations, failed to properly disclose that select favored customers, were improperly
21 allowed to "time" their trades in Franklin Funds. Such timing, as more fully described herein,
22 improperly allows an investor to trade in and out of a mutual fund to exploit short-term moves
23 and inefficiencies in the manner in which the mutual funds price their shares.

24 On February 4, 2004, the Office of the Secretary of the Commonwealth of Massachusetts
25 William Galvin filed an administrative complaint ("Galvin Complaint") against the Fund
26 Defendants for facilitating and permitting market timing in Franklin Funds, in direct
27 contravention of the Funds' prospectuses, in exchange for millions of dollars in "sticky assets"
28 investments in Franklin hedge funds. The complaint stated *that "[t]his case illustrates yet*
another mutual fund company putting profits over its fiduciary duty to act in the best interests
of its long-term shareholder clients." (emphasis added)

1 San Mateo, California 94403. Franklin Resources, through its subsidiaries, provides retail and
2 institutional asset management services throughout the world under the trade name Franklin
3 Templeton Investments. Franklin Resources is the ultimate parent of all of the defendants
4 bearing the Franklin and/or Templeton names. Franklin Resources securities trade on the New
5 York Stock Exchange under the symbol "BEN."

6 10. Defendant Franklin Advisers, Inc. ("Franklin Advisers") is registered as an
7 investment adviser under the Investment Advisers Act and, along with Templeton/Franklin
8 Investment Services, Inc. ("Templeton/Franklin Investment"), Franklin Mutual Advisers, LLC
9 ("Franklin Mutual Advisers") and Franklin Private Client Services, Inc. ("Franklin Private
10 Client"), managed and advised the Franklin Funds during the Class Period. During this period,
11 Franklin Advisers, along with Templeton/Franklin Investment, Franklin Mutual Advisers and
12 Franklin Private Client had ultimate responsibility for overseeing the day-to-day management of
13 the Franklin Funds. Franklin Advisers is located at One Franklin Parkway, San Mateo,
14 California 94403.

15 11. Defendant Templeton/Franklin Investment, doing business as "Templeton Private
16 Client Group", is registered as an investment adviser under the Investment Advisers Act and,
17 along with Franklin Advisers, Franklin Mutual Advisers and Franklin Private Client, managed
18 and advised the Franklin Funds during the Class Period. During this period, Templeton/Franklin
19 Investment, along with Franklin Advisers, Franklin Mutual Advisers and Franklin Private Client,
20 had ultimate responsibility for overseeing the day-to-day management of the Franklin Funds.
21 Templeton/Franklin Investment is located at One Franklin Parkway, San Mateo, California
22 94403.

23 12. Defendant Franklin Private Client is registered as an investment adviser under the
24 Investment Advisers Act and, along with Franklin Advisers, Franklin Mutual Advisers and
25 Templeton/Franklin Investment, managed and advised the Franklin Funds during the Class
26 Period. During this period, Franklin Private Client, along with Franklin Advisers, Franklin
27 Mutual Advisers and Templeton/Franklin Investment, had ultimate responsibility for overseeing
28 the day-to-day management of the Franklin Funds. Franklin Private Client is located at One
Franklin Parkway, San Mateo, California 94403.

13. Defendant Franklin Mutual Advisers is registered as an investment adviser under
the Investment Advisers Act and, along with Franklin Advisers, Franklin Private Client and
Templeton/Franklin Investment, managed and advised the Franklin Funds during the Class

1 Period. During this period, Franklin Mutual Advisers, along with Franklin Private Client,
2 Franklin Advisers and Templeton/Franklin Investment, had ultimate responsibility for overseeing
3 the day-to-day management of the Franklin Funds. Franklin Mutual Advisers is located at 51
4 John F. Kennedy Parkway, Short Hills, New Jersey 07078.

5 14. Franklin Advisers, Franklin Mutual Advisers, Templeton/Franklin Investment,
6 and Franklin Private Client are collectively known as herein as the "Advisors."

7 15. Defendant William Post ("Post") served as a portfolio manager of various
8 Franklin Funds from as early as June 2000 to as late as December 2003, and was the President
9 and Chief Executive Officer of the northern California Region of Templeton/Franklin. During
10 the Class Period Post was an active participant in the unlawful scheme alleged herein.

11 16. Defendants Franklin Funds Registrants are the registrants and issuers of the shares
12 of one or more of the Franklin Funds.

13 17. Defendant Franklin Templeton Strategic Growth Fund, L.P. ("Franklin Hedge
14 Fund") is a Delaware limited partnership and hedge fund of which Calugar was a limited partner.
15 As part and parcel of defendants' unlawful scheme alleged herein, the Calugar Defendants
16 invested \$10 million in "sticky assets", defined herein, in the Franklin Hedge Fund in exchange
17 for market timing capacity in the Franklin Funds.

18 18. Franklin Resources, the Advisors, Franklin Funds Registrants, Franklin Hedge
19 Fund, Franklin Funds, and William Post are referred to collectively herein as the "Fund
20 Defendants."

21 19. Defendant SBI was at all relevant times a broker dealer firm registered with the
22 Securities Exchange Commission ("SEC") and located in Las Vegas, Nevada. On September 19,
23 2003, SBI filed Form BDW with the SEC seeking to withdraw its broker-dealer registration.

24 20. Defendant Daniel G. Calugar ("Calugar") is a resident of Las Vegas, Nevada and
25 Los Angeles, California and, at all relevant times, was the President and 95% owner of SBI.

26 21. Defendant DCIP, L.P. ("DCIP") is a limited partnership formed under the laws of
27 the State of Nevada for the purpose of market timing and other improper trading of mutual funds.
28 Calugar is a general partner of DCIP.

22. Defendants Calugar, SBI, and DCIP are collectively known as herein as the
"Calugar Defendants."

23. The true names and capacities of defendants sued herein as John Does 1 through
100 are other active participants with the Fund Defendants in the widespread unlawful conduct

1 alleged herein whose identities have yet to be ascertained. Such defendants were secretly
2 permitted to engage in improper timing at the expense of ordinary Franklin Funds investors, such
3 as plaintiff and the other members of the Class, in exchange for which these John Doe
4 defendants provided remuneration to the Fund Defendants. Plaintiff will seek to amend this
5 complaint to state the true names and capacities of said defendants when they have been
6 ascertained.

7 PLAINTIFF'S CLASS ACTION ALLEGATIONS

8 24. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
9 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons or entities who
10 purchased or otherwise acquired shares of the Mutual European Fund and Franklin Income Fund,
11 or like interests in any of the other Franklin Funds, between February 6, 1999 and February 4,
12 2004, inclusive, and who were damaged thereby. Plaintiff and each of the Class members
13 purchased shares or other ownership units in Franklin Funds pursuant to a registration statement
14 and prospectus. The registration statements and prospectuses pursuant to which plaintiff and the
15 other Class members purchased their shares or other ownership units in the Franklin Funds,
16 including the Mutual European Fund and Franklin Income Fund, are referred to collectively
17 herein as the "Prospectuses." Excluded from the Class are defendants, members of their
18 immediate families and their legal representatives, heirs, successors or assigns and any entity in
19 which defendants have or had a controlling interest.

20 25. The members of the Class are so numerous that joinder of all members is
21 impracticable. While the exact number of Class members is unknown to plaintiff at this time and
22 can only be ascertained through appropriate discovery, plaintiff believes that there are thousands
23 of members in the proposed Class. Record owners and other members of the Class may be
24 identified from records maintained by the Franklin Funds and may be notified of the pendency of
25 this action by mail, using the form of notice similar to that customarily used in securities class
26 actions.

27 26. Plaintiff's claims are typical of the claims of the members of the Class as all
28 members of the Class are similarly affected by defendants' wrongful conduct in violation of
federal law that is complained of herein.

29 27. Plaintiff will fairly and adequately protect the interests of the members of the
Class and have retained counsel competent and experienced in class and securities litigation.

1 timing, which hurt plaintiff and other Class members, by artificially and materially affecting the
2 value of the Franklin Funds, the Calugar Defendants and the John Doe Defendants agreed to park
3 substantial assets in the Funds, thereby increasing the assets under Franklin Funds' management
4 and the fees paid to Franklin Funds' managers. The assets parked in the Franklin Funds in
5 exchange for the right to engage in timing have been referred to as "sticky assets." The synergy
6 between the Fund Defendants and the Calugar Defendants and John Doe Defendants hinged on
7 ordinary investors' misplaced trust in the integrity of mutual fund companies and allowed
8 defendants to profit handsomely at the expense of plaintiff and other members of the Class.

8 **Secret Timed Trading at the Expense of Plaintiff and Other Members of the Class.**

9 31. "Timing" is an arbitrage strategy involving short-term trading that can be used to
10 profit from mutual funds' use of "stale" prices to calculate the value of securities held in the
11 funds' portfolio. These prices are "stale" because they do not necessarily reflect the "fair value"
12 of such securities as of the time the NAV is calculated. A typical example is a U.S. mutual fund
13 that holds Japanese securities. Because of the time zone difference, the Japanese market may
14 close at 2 *a.m.* New York time. If the U.S. mutual fund manager uses the closing prices of the
15 Japanese securities in his or her fund to arrive at an NAV at 4 *p.m.* in New York, he or she is
16 relying on market information that is fourteen hours old. If there have been positive market
17 moves during the New York trading day that will cause the Japanese market to rise when it later
18 opens, the stale Japanese prices will not reflect that increase, and the fund's NAV will be
19 artificially low. Put another way, the NAV would not reflect the true current market value of the
20 stocks the fund holds. This and similar strategies are known as "time zone arbitrage."

21 32. A similar type of timing is possible in mutual funds that contain illiquid securities
22 such as high-yield bonds or small capitalization stocks. Here, the fact that some of the Franklin
23 Funds' underlying securities may not have traded for hours before the New York closing time
24 can render the fund's NAV stale and thus be susceptible to being timed. This is sometimes
25 known as "liquidity arbitrage."

26 33. Effective timing captures an arbitrage profit which comes dollar-for-dollar out of
27 the pockets of the long-term investors: the timer steps in at the last moment and takes part of the
28 buy-and-hold investors' upside when the market goes up, so the next day's NAV is reduced for
those who are still in the fund. If the timer sells short on bad days -- as the Calugar Defendants
and the John Doe Defendants also did -- the arbitrage has the effect of making the next day's

1 NAV lower than it would otherwise have been, thus magnifying the losses that investors are
2 experiencing in a declining market.

3 34. Besides the wealth transfer of arbitrage (called "dilution"), timers also harm their
4 target funds in a number of other ways. They impose their transaction costs on the long-term
5 investors. Trades necessitated by timer redemptions can also result in the realization of taxable
6 capital gains at an undesirable time, or may result in managers having to sell stock into a falling
7 market.

8 35. It is widely acknowledged that timing inures to the detriment of long-term mutual
9 fund investors and, because of this detrimental effect, the Prospectuses stated that timing is
10 monitored and that the Fund Defendants work to prevent it. These statements were materially
11 false and misleading because, not only did the Fund Defendants allow the Calugar Defendants
12 and John Doe Defendants to time their trades, but, in the case of the Calugar Defendants, they
13 also provided a trading platform and financed the timing arbitrage strategy and sought to profit
14 and did profit from it.

13 **Defendants' Fraudulent Scheme**

14 36. On September 3, 2003, New York Attorney General Eliot Spitzer filed a
15 complaint charging fraud, amongst other violations of law, in connection with the unlawful
16 practices alleged herein and exposing the fraudulent and manipulative practices charged here
17 with the particularity that had resulted from a confidential full-scale investigation (the "Spitzer
18 Complaint"). The Spitzer Complaint alleged, with regard to the misconduct alleged herein, as
19 follows:

20 Canary engaged in late trading on a daily basis from in or about
21 March 2000 until this office began its investigation in July of
22 2003. It targeted dozens of mutual funds and extracted tens of
23 millions of dollars from them. During the declining market of
24 2001 and 2002, it used late trading to, in effect, sell mutual fund
25 shares short. This caused the mutual funds to overpay for their
26 shares as the market went down, serving to magnify long-term
27 investors' losses. [. . .]

28 [Bank of America] (1) set Canary up with a state-of-the-art
electronic trading platform [. . .] (2) gave Canary permission to
time its own mutual fund family, the "Nations Funds", (3)
provided Canary with approximately \$300 million of credit to
finance this late trading and timing, and (4) sold Canary derivative
short positions it needed to time the funds as the market dropped.
In the process, Canary became one of Bank of America's largest
customers. The relationship was mutually beneficial; Canary

1 made tens of millions through late trading and timing, while the
2 various parts of the Bank of America that serviced Canary made
millions themselves.

3 37. On September 4, 2003, *The Wall Street Journal* published a front page story about
4 the Spitzer Complaint under the headline: "Spitzer Kicks Off Fund Probe With a \$40 Million
5 Settlement," in which the New York Attorney General compared after-the-close trading to
6 "being allowed to bet on a horse race after the race was over," and which indicated that the
7 fraudulent practices enumerated in the Spitzer Complaint were just the tip of the iceberg. In this
8 regard, the article stated:

9 [. . .] "The late trader," he said, "is being allowed into the fund
10 after it has closed for the day to participate in a profit that would
otherwise have gone completely to the fund's buy-and-hold
investors."

11 *In a statement, Mr. Spitzer said "the full extent of this*
12 *complicated fraud is not yet known," but he asserted that "the*
13 *mutual-fund industry operates on a double standard" in which*
14 *certain traders "have been given the opportunity to manipulate*
15 *the system. They make illegal after-hours trades and improperly*
exploit market swings in ways that harm ordinary long-term
investors."

16 For such long-term investors, rapid trading in and out of funds
17 raises trading costs and lowers returns; *one study published last*
18 *year estimated that such strategies cost long-term investors \$5*
billion a year.

19 The practice of placing late trades, which Mr. Stern was accused of
20 at Bank of America, also hurts long-term shareholders because it
21 dilutes their gains, allowing latecomers to take advantage of events
after the markets closed that were likely to raise or lower the
funds' share price. [Emphasis added.]

22 38. On December 23, 2003, the SEC announced that it had filed civil fraud charges
23 against SBI and Calugar for their participation in a scheme to defraud mutual fund shareholders
24 through improper late trading and market timing and alleged that, from at least 2001 to 2003,
25 Calugar, trading through SBI, reaped profits of approximately \$175 million from improper late
26 trading (the practice of placing orders to buy or sell mutual fund shares after close of market at
27 4:00 p.m. EST, but at the mutual fund's Net Asset Value ("NAV"), or price, determined at the
28 market close) and market timing, principally through mutual funds in the Alliance Capital
Management, LP and Massachusetts Financial Services family of mutual funds.

1 39. Based on the SEC's application, United States District Judge Robert Clive Jones
2 of the District of Nevada issued a temporary restraining order freezing the assets of the
3 defendants, prohibiting the destruction of documents, and granting expedited discovery. The
4 SEC applied for the emergency relief after learning that, on December 18, 2003, Calugar had
5 transferred \$50 million of proceeds from his scheme out of MFS. This transfer occurred on the
6 same day that the SEC instituted an enforcement action against Alliance in connection with
7 market timing activity. The SEC's action against Alliance identified Calugar as the largest
8 market timer at Alliance.

9 40. On February 4, 2004, the Office of the Secretary of the Commonwealth of
10 Massachusetts, Securities Division, William Galvin, filed an administrative complaint against the
11 Fund Defendants charging them with violating the anti-fraud provision of the Massachusetts
12 Uniform Securities Act by agreeing to give the Calugar Defendants \$45 million in market timing
13 capacity in Franklin Funds, in direct contravention of the Funds' prospectuses, in exchange for
14 millions of dollars in sticky assets in Franklin hedge funds. Specifically, the Galvin Complaint
15 alleges as follows:

16 On April 6, 2001, Calugar opened a \$30 million dollar profit
17 sharing account under the name of his broker-dealer, Security
18 Brokerage, Inc. Many Franklin employees, including Tom
19 Johnson, . . . and Post were aware of the account and were also
20 aware that Calugar was a known market timer.

21 *T. Johnson states in an e-mail dated April 20, 2001: "the client
22 [SBI/Calugar] is a b/d that is a timer. My buddy at MFS informed
23 me the other day that Security Brokerage dumped \$11 million of
24 timing money. They are new to us and MFS. Per Shannon's
25 internal, they have permission to time. . ."*

26 * * *

27 As T. Johnson points out in an e-mail dated August 9, 2001: "*I
28 learned from Maria Delucchi-Kahale of Bill Post's area that the
client we are going to allow to time is Dan Calugar of Security
Brokerage in Las Vegas. The same gentleman that was to be sole
participant in the below plan (SBI Profit Sharing Plan) and
previously timed us through his own b/d.*" [Emphasis added.]

 The market timing arrangement between the Fund Defendants permitted the Calugar
Defendants to make four exchanges in Franklin Funds per month; exempted them from the 2%
redemption fee for market timing trades; and provided them access to technology that prevented

1 the Franklin market timing desk from detecting their market timing. In particular, the Galvin
2 Complaint alleges as follows:

3 On August 14, 2001, Calugar thanks Post for the August 13, 2001 presentation
4 regarding the Franklin hedge funds. In addition Calugar summarizes the
discussions between himself and Post. He writes:

5 I want to confirm that, pursuant to our discussions, we intend to
6 place the following new purchases in Franklin Templeton Hedge
funds and Franklin Templeton Mutual funds:

7 ***DCIP, LP (DCIP) will purchase \$10 million in the Franklin
8 Templeton Strategic Growth Fund, LP effective September 1.
9 We will wire the funds for this investment on August 20.
10 During the balance of 2001, Security Brokerage, Inc. (SBI) will
11 make purchases of up to \$45 million in the Franklin Strategic
Small Cap Growth Fund (FRSGX).***

12 ***These positions will be invested in a market timing approach we
13 discussed and as described below. All positions will be held in
14 the name of Security Brokerage, Inc. and will be registered as
Network Level 3 positions and exchanged through NSCC
Fund/SERV. I will e-mail the account number for the mutual fund
15 position as soon as the account is set up.***

16 ***The aggregate number of round trip exchanges between the
17 Small Cap Growth Fund and the Franklin Money fund made by
18 the market timing model will not exceed four per month. I
19 recognize that market timing is a privilege and not a right, and
20 should Franklin Templeton at any future time elect to terminate
21 our exchange privilege for this account (or assess exchange fees on
the account), we will promptly cease all exchange activity. As we
discussed, should that decision be made, we would appreciate your
exercising discretion to permit DCIP the option to redeem its
hedge fund position.***

22 ***My intent is that DCIP will keep the hedge fund positions for at
23 least as long as Security Brokerage is permitted to have the
24 timing allocation in Franklin Templeton mutual funds.
[Emphasis added.]***

25 41. The Calugar defendants continued to invest significant amounts in Franklin hedge
26 funds and money market funds in exchange for the right to market time Franklin Funds. For
27 example, on September 9, 2001, SBI opened an additional account with the Fund Defendants for
28 the sole purpose of timing the Franklin Small Mid-Cap Growth Fund. The Calugar Defendants'

1 market timing proposals were well received by the Fund Defendants, as evidenced by the
2 following e-mail from a Franklin employee at Franklin/Templeton Distributors, Inc. dated
3 November 5, 2001:

4 *The moves are for 100% or approx \$20 million. I should have added that they*
5 *have been in the Small Mid a total of 5 days – two 2 day trips and one 1 day*
6 *trip. Another \$25 million was sent to the money market account last Friday,*
7 *and I'll make sure there's no prepaid commission when it actually exchanges to*
8 *the Small Mid. [Emphasis added.]*

9 The Galvin Complaint also described Post's involvement in securing additional market timing
10 capacity for the Calugar Defendants in other mutual fund families:

11 In April of 2002, Post begins to shop additional timing capacity in other mutual
12 fund complexes on behalf of Calugar. Post requests new account documents on
13 behalf of SBI/Calugar from Capital Research and Management ("CRM"), the
14 investment adviser to the American Funds.

15 * * *

16 On April 23, 2002, Post sends a letter to Paster, an employee of Capital
17 Guardian Trust Company, an investment adviser affiliate of CRM. Post outlines
18 the investment strategy of Calugar and SBI and asks whether the "proposed
19 trading activities" were "acceptable to the American Funds."

20 **The Prospectuses, Including the Mutual European Fund and Franklin Income Fund**
21 **Prospectuses, Were Materially False and Misleading**

22 42. Plaintiff and each member of the Class were entitled to, and did receive, one of
23 the Prospectuses, each of which contained substantially the same materially false and misleading
24 statements regarding the Franklin Funds' policies on timed trading, and acquired shares pursuant
25 to one or more of the Prospectuses.

26 43. The Prospectuses falsely stated that the Advisors actively safeguards shareholders
27 from the harmful effects of timing. For example, in language that typically appeared in the
28 Prospectuses, the September 2001 Prospectus for the Franklin Small Mid-Cap Growth Fund
stated as follows:

MARKET TIMERS *The Aggressive Growth Fund, Large Cap Fund and Small*
Cap Fund II may restrict or refuse purchases or exchanges by Market Timers.
The California Fund and Small Mid-Cap Growth Fund do not allow
investment by Market Timers. You may be considered a Market Timer if you
have (i) requested an exchange out of any of the Franklin Templeton funds
within two weeks of an earlier exchange request out of any fund, or (ii)

1 *exchanged shares out of the Franklin Templeton funds more than twice within*
2 *a rolling 90 day period, or (iii) otherwise seem to follow a market timing pattern*
3 *that may adversely affect the funds.* Accounts under common ownership or
4 control with an account that is covered by (i), (ii), or (iii) are also subject to these
5 limits.

6 Anyone, including the shareholder or the shareholder's agent, who is considered
7 to be a Market Timer by the Fund, its managers or shareholder services agent,
8 will be issued a written notice of their status and the Fund's policies. Identified
9 *Market Timers who redeem or exchange their shares of the Fund within 90*
10 *days of purchase will be assessed a fee of 2% of redemption proceeds.* This
11 redemption fee does not apply to 401(k) participant accounts, accounts not held
12 individually through Franklin Templeton Investor Services, LLC, and fund under
13 the automatic dividend reinvestment program and the systematic withdrawal
14 program. Some funds do not allow investments by Market Timers. [Emphasis
15 added.]

16 44. The Prospectuses failed to disclose and misrepresented the following material and
17 adverse facts which damaged plaintiff and the other members of the Class:

18 (a) that defendants had entered into an agreement allowing the Calugar
19 Defendants and the John Doe Defendants to time their trading of the Franklin Funds shares;

20 (b) that, pursuant to that agreement, the Calugar Defendants and other favored
21 investors regularly timed Franklin Funds shares;

22 (c) that, contrary to the express representations in the Prospectuses, the
23 Franklin Funds enforced their policy against frequent traders selectively, i.e., they did not
24 enforce it against the Calugar Defendants and the John Doe Defendants and they waived the
25 redemption fees that these defendants should have been required to pay pursuant to stated
26 Franklin Funds policies;

27 (d) that the Fund Defendants regularly allowed the Calugar Defendants and
28 other favored investors to engage in trades that were disruptive to the efficient management of
the Franklin Funds and/or increased the Franklin Funds' costs and thereby reduced the Franklin
Funds' actual performance; and

(e) that the amount of compensation paid by the Franklin Funds to the
Advisors, because of the Franklin Funds' secret agreement with Canary and others, provided
substantial additional undisclosed compensation to the Advisors by the Franklin Funds and their
respective shareholders, including plaintiff and other members of the Class.

1 **Defendants' Scheme and Fraudulent Course of Business**

2 45. Each defendant is liable for (i) making false statements, or for failing to disclose
3 materially adverse facts in connection with the purchase or sale of shares of the Franklin Funds,
4 or otherwise, and/or (ii) participating in a scheme to defraud and/or a course of business that
5 operated as a fraud or deceit on purchasers of the Franklin Funds shares during the Class Period
6 (the "Wrongful Conduct"). This Wrongful Conduct enabled defendants to profit at the expense
7 of plaintiff and the other Class members.

8 **Additional Scienter Allegations**

9 46. As alleged herein, defendants acted with scienter in that defendants knew that the
10 public documents and statements issued or disseminated in the name of the Franklin Funds were
11 materially false and misleading; knew that such statements or documents would be issued or
12 disseminated to the investing public; and knowingly and substantially participated or acquiesced
13 in the issuance or dissemination of such statements or documents as primary violations of the
14 federal securities laws. Defendants, by virtue of their receipt of information reflecting the true
15 facts regarding Franklin Funds, their control over, and/or receipt and/or modification of Franklin
16 Funds' allegedly materially misleading misstatements and/or their associations with the Franklin
17 Funds which made them privy to confidential proprietary information concerning the Franklin
18 Funds, participated in the fraudulent scheme alleged herein.

19 47. Additionally, the Fund Defendants and the Fund Individual Defendants were
20 highly motivated to allow and facilitate the wrongful conduct alleged herein and participated in
21 and/or had actual knowledge of the fraudulent conduct alleged herein. In exchange for allowing
22 the unlawful practices alleged herein, the Fund Defendants and Fund Individual Defendants
23 received, among other things, increased management fees from "sticky assets" and other hidden
24 compensation paid in the form of inflated interest payments on loans to the Calugar Defendants
25 and John Doe Defendants.

26 48. The Calugar Defendants and John Doe Defendants were motivated to participate
27 in the wrongful scheme by the enormous profits they derived thereby. They systematically
28 pursued the scheme with full knowledge of its consequences to other investors.

///

///

1 **VIOLATIONS OF THE SECURITIES ACT**

2 **FIRST CLAIM**

3 **Against The Franklin Funds Registrants For Violations**
4 **of Section 11 Of The Securities Act**

5 49. Plaintiff repeats and realleges each and every allegation contained above as if
6 fully set forth herein, except that, for purposes of this claim, plaintiff expressly excludes and
7 disclaims any allegation that could be construed as alleging fraud or intentional or reckless
8 misconduct and otherwise incorporates the allegations contained above.

9 50. This claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. §
10 77k, on behalf of the plaintiff and other members of the Class against the Franklin Funds
11 Registrants.

12 51. The Franklin Funds Registrants are the registrants for the fund shares sold to
13 plaintiff and the other members of the Class and are statutorily liable under Section 11. The
14 Franklin Funds Registrants issued, caused to be issued and participated in the issuance of the
15 materially false and misleading written statements and/or omissions of material facts that were
16 contained in the Prospectuses.

17 52. Plaintiff was provided with the Prospectus of each of the Mutual European Fund
18 and Franklin Income Fund Prospectus and, similarly, prior to purchasing units of each of the
19 other Franklin Funds, all Class members likewise received the appropriate prospectus. Plaintiff
20 and other Class members purchased shares of the Franklin Funds pursuant or traceable to the
21 relevant false and misleading Prospectuses and were damaged thereby.

22 53. As set forth herein, the statements contained in the Prospectuses, when they
23 became effective, were materially false and misleading for a number of reasons, including that
24 they stated that it was the practice of the Franklin Funds to monitor and take steps to prevent
25 timed trading because of its adverse effect on fund investors, and that the trading price was
26 determined as of 4 p.m. each trading day with respect to all investors when, in fact, the Calugar
27 Defendants and other select investors (the John Does named as defendants herein) were allowed
28 to engage in timed trading. The Prospectuses failed to disclose and misrepresented, inter alia, the
following material and adverse facts:

(a) that defendants had entered into an unlawful agreement allowing the
Calugar Defendants and John Doe Defendants to time its trading of the Franklin Funds shares;

1 (b) that, pursuant to that agreement, the Calugar Defendants regularly timed
2 Franklin Funds shares;

3 (c) that, contrary to the express representations in the Prospectuses, the
4 Franklin Funds enforced their policy against frequent traders selectively, i.e., they did not
5 enforce it against the Calugar Defendants;

6 (d) that the Fund Defendants regularly allowed the Calugar Defendants to
7 engage in trades that were disruptive to the efficient management of the Franklin Funds and/or
8 increased the Franklin Funds' costs and thereby reduced the Franklin Funds' actual performance;
9 and

10 (e) the Prospectuses failed to disclose that, pursuant to the unlawful
11 agreements, the Fund Defendants, the Calugar Defendants and John Doe Defendants benefited
12 financially at the expense of the Franklin Funds investors including plaintiff and the other
13 members of the Class.

14 54. At the time they purchased the Franklin Funds shares traceable to the defective
15 Prospectuses, plaintiff and Class members were without knowledge of the facts concerning the
16 false and misleading statements or omission alleged herein and could not reasonably have
17 possessed such knowledge. This claim was brought within the applicable statute of limitations.

18 SECOND CLAIM

19 **Against Franklin Resources and the Advisors 20 as Control Persons of The Franklin Funds Registrants 21 For Violations of Section 15 of the Securities Act**

22 55. Plaintiff repeats and realleges each and every allegation contained above, except
23 that for purposes of this claim, plaintiff expressly excludes and disclaims any allegation that
24 could be construed as alleging fraud or intentional reckless misconduct and otherwise
25 incorporates the allegations contained above.

26 56. This Claim is brought pursuant to Section 15 of the Securities Act against Franklin
27 Resources, the Advisors, each as a control person of the Franklin Funds Registrants. It is
28 appropriate to treat these defendants as a group for pleading purposes and to presume that the
false, misleading, and incomplete information conveyed in the Franklin Funds' public filings,
press releases and other publications are the collective actions of Franklin Resources and the
Advisors.

57. The Franklin Funds Registrants are liable under Section 11 of the Securities Act as
set forth herein.

1 67. These defendants employed devices, schemes and artifices to defraud and a course
2 of conduct and scheme as alleged herein to unlawfully manipulate and profit from secretly timed
3 trading and thereby engaged in transactions, practices and a course of business which operated as
4 a fraud and deceit upon plaintiff and members of the Class.

5 68. The defendants had actual knowledge of the misrepresentations and omissions of
6 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
7 ascertain and to disclose such facts, even though such facts were available to them. Such
8 defendants' material misrepresentations and/or omissions were done knowingly or recklessly and
9 for the purpose and effect of concealing the truth.

10 69. As a result of the dissemination of the materially false and misleading information
11 and failure to disclose material facts, as set forth above, the market price of the Franklin Funds
12 securities were distorted during the Class Period such that they did not reflect the risks and costs
13 of the continuing course of conduct alleged herein. In ignorance of these facts that market prices
14 of the shares were distorted, and relying directly or indirectly on the false and misleading
15 statements made by the Fund Defendants, or upon the integrity of the market in which the
16 securities trade, and/or on the absence of material adverse information that was known to or
17 recklessly disregarded by defendants but not disclosed in public statements by defendants during
18 the Class Period, plaintiff and the other members of the Class acquired the shares or interests in
19 the Franklin Funds during the Class Period at distorted prices and were damaged thereby.

20 70. At the time of said misrepresentations and omissions, plaintiff and other members
21 of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the
22 other members of the Class and the marketplace known of the truth concerning the Franklin
23 Funds' operations, which were not disclosed by defendants, plaintiff and other members of the
24 Class would not have purchased or otherwise acquired their shares or, if they had acquired such
25 shares or other interests during the Class Period, they would not have done so at the distorted
26 prices which they paid.

27 71. By virtue of the foregoing, defendants have violated Section 10(b) of the
28 Exchange Act, and Rule 10b-5 promulgated thereunder.

 72. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the
other members of the Class suffered damages in connection with their respective purchases and
sales of the Franklin Funds shares during the Class Period.

1 **FOURTH CLAIM**

2 **Against Franklin Resources (as a Control Person of the Advisors); the Advisors (as a**
3 **Control Person of Franklin Funds Registrants); and Franklin Funds**
4 **Registrants (as a Control Person of the Franklin Funds and Franklin Hedge Fund)**
5 **For Violations of Section 20(a) of the Exchange Act**

6 73. Plaintiff repeats and realleges each and every allegation contained above as if fully
7 set forth herein except for Claims brought pursuant to the Securities Act.

8 74. This Claim is brought pursuant to Section 20(a) of the Exchange Act against
9 Franklin Resources as a control person of the Advisors; the Advisors as a control person of
10 Franklin Funds Registrants, and Franklin Funds Registrants as a control person of the Franklin
11 Funds and Franklin Hedge Fund.

12 75. It is appropriate to treat these defendants as a group for pleading purposes and to
13 presume that the materially false, misleading, and incomplete information conveyed in the
14 Franklin Funds' public filings, press releases and other publications are the collective actions of
15 Franklin Resources, the Advisors, Franklin Funds Registrants.

16 76. Each of Franklin Resources, the Advisors, and Franklin Funds Registrants acted as
17 controlling persons of the Franklin Funds and Franklin Hedge Fund within the meaning of
18 Section 20(a) of the Exchange Act for the reasons alleged herein. By virtue of their operational
19 and management control of the Franklin Funds' and Franklin Hedge Fund's respective
20 businesses and systematic involvement in the fraudulent scheme alleged herein, Franklin
21 Resources, the Advisors, and Franklin Funds Registrants each had the power to influence and
22 control and did influence and control, directly or indirectly, the decision-making and actions of
23 the Franklin Funds and Franklin Hedge Fund, including the content and dissemination of the
24 various statements which plaintiff contend are false and misleading. Franklin Resources, the
25 Advisors, and Franklin Funds Registrants had the ability to prevent the issuance of the
26 statements alleged to be false and misleading or cause such statements to be corrected.

27 77. In particular, each of Franklin Resources, the Advisors, and Franklin Funds
28 Registrants had direct and supervisory involvement in the operations of the Franklin Funds and
Franklin Hedge Fund, and, therefore, is presumed to have had the power to control or influence
the particular transactions giving rise to the securities violations as alleged herein, and exercised
the same.

78. As set forth above, Franklin Resources, the Advisors, and Franklin Funds
Registrants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in

1 this Complaint. By virtue of their positions as controlling persons, Franklin Resources, the
2 Advisors, and Franklin Funds Registrants are liable pursuant to Section 20(a) of the Exchange
3 Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other
4 members of the Class suffered damages in connection with their purchases of Franklin Funds
5 securities during the Class Period and Franklin Hedge Fund's active participation in the unlawful
6 scheme alleged herein.

7 **VIOLATIONS OF THE INVESTMENT ADVISERS ACT**

8 **FIFTH CLAIM**

9 **For Violations of Section 206 of The Investment Advisers Act of 1940**
10 **Against the Advisors [15 U.S.C. §80b 6 and 15 U.S.C. §80b 15]**

11 79. Plaintiff repeats and realleges each and every allegation contained above as if fully
12 set forth herein.

13 80. This Count is based upon Section 215 of the Investment Advisers Act, 15 U.S.C.
14 §80b 15.

15 81. The Advisors served as an "investment adviser" to plaintiff and other members of
16 the Class pursuant to the Investment Advisers Act.

17 82. As a fiduciary pursuant to the Investment Advisers Act, the Advisors were
18 required to serve plaintiff and other members of the Class in a manner in accordance with the
19 federal fiduciary standards set forth in Section 206 of the Investment Advisers Act, 15 U.S.C.
20 §80b 6, governing the conduct of investment advisers.

21 83. During the Class Period, the Advisors breached their fiduciary duties owed to
22 plaintiff and the other members of the Class by engaging in a deceptive contrivance, scheme,
23 practice and course of conduct pursuant to which they knowingly and/or recklessly engaged in
24 acts, transactions, practices and courses of business which operated as a fraud upon plaintiff and
25 other members of the Class. As detailed above, the Advisors allowed the Calugar Defendants
26 and John Doe Defendants to secretly engage in timing of the Franklin Funds shares. The
27 purposes and effect of said scheme, practice and course of conduct was to enrich the Advisors,
28 among other defendants, at the expense of plaintiff and other members of the Class.

84. The Advisors breached their fiduciary duty owed to plaintiff and the Class
members by engaging in the aforesaid transactions, practices and courses of business knowingly
or recklessly so as to constitute a deceit and fraud upon plaintiff and the Class members.

1 85. The Advisors are liable as a direct participant in the wrongs complained of herein.
2 The Advisors, because of its position of authority and control over the Franklin Funds
3 Registrants was able to and did: (1) control the content of the Prospectuses; and (2) control the
4 operations of the Franklin Funds.

5 86. The Advisors had a duty to (1) disseminate accurate and truthful information with
6 respect to the Franklin Funds; and (2) to truthfully and uniformly act in accordance with its
7 stated policies and fiduciary responsibilities to plaintiff and members of the Class. The Advisors
8 participated in the wrongdoing complained of herein in order to prevent plaintiff and other
9 members of the Class from knowing of the Advisors' breaches of fiduciary duties including: (1)
10 increasing its profitability at plaintiff' other members of the Class' expense by allowing the
11 Calugar Defendants and the John Doe Defendants to secretly time the Franklin Funds shares; and
12 (2) placing its interests ahead of the interests of plaintiff and other members of the Class.

13 87. As a result of the Advisors' multiple breaches of its fiduciary duties owed plaintiff
14 and other members of the Class, plaintiff and other Class members were damaged.

15 88. Plaintiff and other Class members are entitled to rescind their investment advisory
16 contracts with the Advisors and recover all fees paid in connection with their enrollment
17 pursuant to such agreements.

18 **AIDING AND ABETTING BREACH OF FIDUCIARY DUTIES**

19 **SIXTH CLAIM**

20 **Aiding and Abetting Breach of**
21 **Fiduciary Duties Against the Calugar Defendants**

22 89. Plaintiff repeats and realleges each and every allegation contained above as if fully
23 set forth herein.

24 90. At all times herein, the directors, officers and employees of the Franklin Funds,
25 which were entrusted with the management of the assets of plaintiff and other members of the
26 Class, had fiduciary duties to plaintiff and the other members of the Class.

27 91. The Calugar Defendants knew or should have known that the Advisors' and the
28 Franklin Funds' directors, officers and employees had these fiduciary duties.

 92. By failing to prevent the late trading and timed trading of their funds, in
contravention of their express policies, the Advisors' and the Franklin Funds' directors, officers
and employees breached their fiduciary duties to plaintiff and other members of the Class.

PLAINTIFF'S CERTIFICATION

Franklin Resources, Inc. Mutual Funds Securities Litigation

Stephen Alexander ("Plaintiff") declares under penalty of perjury, as to the claims asserted under the federal securities laws, that:

- 1. Plaintiff has reviewed the complaint and authorized its filing.
- 2. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.
- 3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
- 4. Plaintiff's transactions in Franklin Resources, Inc. Mutual Funds during the Class

Period are as follows:

SEE ATTACHED

- 5. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class under the federal securities laws.
- 6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 16th day of February 2004.



 Stephen Alexander

ORIGINAL

FILED
04 FEB 17 PM 1:28
RICHARD W. RIEKING
U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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10 [Additional Attorneys on signature page.]

11 Attorneys for Plaintiff

12
13 UNITED STATES DISTRICT COURT
14 FOR THE NORTHERN DISTRICT OF CALIFORNIA

SC

15
16 **04 0639**

17 STEPHEN ALEXANDER, Individually and
on Behalf of All Others Similarly Situated,

Case No.

18 Plaintiff,

NOTICE OF RELATED CASE

19 vs.

20 FRANKLIN AGE HIGH INCOME FUND,
21 FRANKLIN ADJUSTABLE U.S.
GOVERNMENT SECURITIES FUND,
22 FRANKLIN AGGRESSIVE GROWTH
FUND FRANKLIN ALABAMA TAX-FREE
23 INCOME FUND, FRANKLIN ARIZONA
TAX-FREE INCOME FUND, FRANKLIN
24 BALANCE SHEET INVESTMENT FUND,
FRANKLIN BIOTECHNOLOGY
25 DISCOVERY FUND, FRANKLIN BLUE
CHIP FUND, FRANKLIN CALIFORNIA
26 HIGH YIELD MUNICIPAL FUND,

27
28 [Caption Continues On Next Page]

NOTICE OF RELATED CASE

1 FRANKLIN CALIFORNIA INSURED TAX-
FREE INCOME FUND, FRANKLIN
2 CALIFORNIA INTERMEDIATE-TERM
TAX-FREE INCOME FUND, FRANKLIN
3 CALIFORNIA LIMITED TERM TAX-FREE
INCOME FUND, FRANKLIN CALIFORNIA
4 TAX-EXEMPT MONEY FUND, FRANKLIN
CALIFORNIA TAX-FREE INCOME FUND,
5 FRANKLIN CAPITAL GROWTH FUND,
FRANKLIN COLORADO TAX-FREE
6 INCOME FUND, FRANKLIN
CONNECTICUT TAX-FREE INCOME
7 FUND, FRANKLIN CONVERTIBLE
SECURITIES FUND, FRANKLIN DOUBLE
8 TAX-FREE INCOME FUND, FRANKLIN
DYNATECH FUND, FRANKLIN EQUITY
9 INCOME FUND, FRANKLIN FEDERAL
INTERMEDIATE-TERM TAX-FREE
10 INCOME FUND, FRANKLIN FEDERAL
LIMITED TERM TAX-FREE INCOME
11 FUND, FRANKLIN FEDERAL MONEY
FUND, FRANKLIN FEDERAL TAX-FREE
12 INCOME FUND, FRANKLIN FLEX CAP
GROWTH FUND FRANKLIN FLOATING
13 RATE DAILY ACCESS FUND, FRANKLIN
FLOATING RATE TRUST, FRANKLIN
14 FLORIDA INSURED TAX-FREE INCOME
FUND, FRANKLIN FLORIDA TAX-FREE
15 INCOME FUND, FRANKLIN GEORGIA
TAX-FREE INCOME FUND, FRANKLIN
16 GLOBAL AGGRESSIVE GROWTH FUND,
FRANKLIN GLOBAL COMMUNICATIONS
17 FUND, FRANKLIN GLOBAL GROWTH
FUND, FRANKLIN GLOBAL HEALTH
18 CARE FUND, FRANKLIN GOLD AND
PRECIOUS METALS FUND, FRANKLIN
19 GROWTH FUND, FRANKLIN HIGH YIELD
TAX-FREE INCOME FUND, FRANKLIN
20 INCOME FUND, FRANKLIN INSURED
TAX-FREE INCOME FUND, FRANKLIN
21 KENTUCKY TAX-FREE INCOME FUND,
FRANKLIN LARGE CAP GROWTH FUND,
22 FRANKLIN LARGE CAP VALUE FUND,
FRANKLIN LOUISIANA TAX-FREE
23 INCOME FUND, FRANKLIN MARYLAND
TAX-FREE INCOME FUND, FRANKLIN
24 MASSACHUSETTS INSURED TAX-FREE
INCOME FUND, FRANKLIN MICHIGAN
25 INSURED TAX-FREE INCOME FUND,
FRANKLIN MICROCAP VALUE FUND,
26

27 [Caption Continues On Next Page]
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1 FRANKLIN MINNESOTA INSURED TAX-
2 FREE INCOME FUND, FRANKLIN
3 MISSOURI TAX-FREE INCOME FUND,
4 FRANKLIN MONEY FUND, FRANKLIN
5 NATURAL RESOURCES FUND,
6 FRANKLIN NEW JERSEY TAX-FREE
7 INCOME FUND, FRANKLIN NEW YORK
8 INSURED TAX-FREE INCOME FUND,
9 FRANKLIN NEW YORK INTERMEDIATE-
10 TERM TAX-FREE INCOME FUND,
11 FRANKLIN NEW YORK LIMITED TERM
12 TAX-FREE INCOME FUND, FRANKLIN
13 NEW YORK TAX-EXEMPT MONEY
14 FUND, FRANKLIN NEW YORK TAX-FREE
15 INCOME FUND, FRANKLIN NORTH
16 CAROLINA TAX-FREE INCOME FUND,
17 FRANKLIN OHIO INSURED TAX-FREE
18 INCOME FUND, FRANKLIN OREGON
19 TAX-FREE INCOME FUND, FRANKLIN
20 PENNSYLVANIA TAX-FREE INCOME
21 FUND, FRANKLIN REAL ESTATE
22 SECURITIES FUND, FRANKLIN RISING
23 DIVIDENDS FUND, FRANKLIN SHORT-
24 INTERMEDIATE U.S. GOVERNMENT
25 SECURITIES FUND, FRANKLIN SMALL
26 CAP GROWTH FUND II, FRANKLIN
27 SMALL CAP VALUE FUND, FRANKLIN
28 SMALL-MID CAP GROWTH FUND,
FRANKLIN STRATEGIC INCOME FUND,
FRANKLIN STRATEGIC MORTGAGE
PORTFOLIO, FRANKLIN TAX-EXEMPT
MONEY FUND, FRANKLIN
TECHNOLOGY FUND, FRANKLIN
TEMPLETON CONSERVATIVE TARGET
FUND, FRANKLIN TEMPLETON
COREFOLIO ALLOCATION FUND,
FRANKLIN TEMPLETON FOUNDING
FUNDS ALLOCATION FUND, FRANKLIN
TEMPLETON GROWTH TARGET FUND,
FRANKLIN TEMPLETON HARD
CURRENCY FUND, FRANKLIN
TEMPLETON MODERATE TARGET
FUND, FRANKLIN TEMPLETON MONEY
FUND, FRANKLIN TENNESSEE
MUNICIPAL BOND FUND, FRANKLIN
TEXAS TAX-FREE INCOME FUND,
FRANKLIN TOTAL RETURN FUND,
FRANKLIN U.S. GOVERNMENT
SECURITIES FUND, FRANKLIN U.S.
LONG-SHORT FUND, FRANKLIN

[Caption Continues On Next Page]

1 UTILITIES FUND, FRANKLIN VIRGINIA
2 TAX-FREE INCOME FUND, TEMPLETON
3 CHINA WORLD FUND, TEMPLETON
4 DEVELOPING MARKETS TRUST,
5 TEMPLETON FOREIGN FUND,
6 TEMPLETON FOREIGN SMALLER
7 COMPANIES FUND, TEMPLETON
8 GLOBAL BOND FUND, TEMPLETON
9 GLOBAL LONG-SHORT FUND,
10 TEMPLETON GLOBAL OPPORTUNITIES
11 TRUST, TEMPLETON GLOBAL SMALLER
12 COMPANIES FUND, INC., TEMPLETON
13 GROWTH FUND, INC., TEMPLETON
14 INTERNATIONAL (EX EM) FUND,
15 TEMPLETON LATIN AMERICA FUND,
16 TEMPLETON PACIFIC GROWTH FUND,
17 TEMPLETON WORLD FUND, MUTUAL
18 BEACON FUND, MUTUAL DISCOVERY
19 FUND, MUTUAL EUROPEAN FUND,
20 MUTUAL FINANCIAL SERVICES FUND,
21 MUTUAL QUALIFIED FUND, MUTUAL
22 RECOVERY FUND, MUTUAL SHARES
23 FUND (collectively known as the
24 "FRANKLIN FUNDS"); FRANKLIN ASSET
25 ALLOCATION FUND, FRANKLIN
26 CALIFORNIA TAX FREE INCOME FUND
27 INC., FRANKLIN CALIFORNIA TAX FREE
28 TRUST, FRANKLIN CAPITAL GROWTH
FUND, FRANKLIN CUSTODIAN FUNDS
INC., FRANKLIN FEDERAL MONEY
FUND, FRANKLIN FEDERAL TAX FREE
INCOME FUND, FRANKLIN FLOATING
RATE MASTER TRUST, FRANKLIN
FLOATING RATE TRUST, FRANKLIN
GLOBAL TRUST, FRANKLIN HIGH
INCOME TRUST, FRANKLIN
TEMPLETON INTERNATIONAL TRUST,
FRANKLIN INVESTORS SECURITIES
TRUST, FRANKLIN MANAGED TRUST,
FRANKLIN MONEY FUND, FRANKLIN
MULTI INCOME TRUST, FRANKLIN
MUNICIPAL SECURITIES TRUST,
FRANKLIN MUTUAL SERIES FUND INC.,
FRANKLIN NEW YORK TAX FREE
INCOME FUND, FRANKLIN NEW YORK
TAX FREE TRUST, FRANKLIN REAL
ESTATE SECURITIES TRUST, FRANKLIN
STRATEGIC MORTGAGE PORTFOLIO,
FRANKLIN STRATEGIC SERIES,

27 [Caption Continues On Next Page]

28

1 FRANKLIN TAX ADVANTAGED HIGH
2 YIELD SECURITIES FUND, FRANKLIN
3 TAX ADVANTAGED INTERNATIONAL
4 BOND FUND, FRANKLIN TAX
5 ADVANTAGED U.S. GOVERNMENT
6 SECURITIES FUND, FRANKLIN TAX
7 EXEMPT MONEY FUND, FRANKLIN TAX
8 FREE TRUST, FRANKLIN TEMPLETON
9 FUND ALLOCATOR SERIES, FRANKLIN
10 TEMPLETON GLOBAL TRUST,
11 FRANKLIN TEMPLETON JAPAN FUND,
12 FRANKLIN TEMPLETON MONEY FUND
13 TRUST, FRANKLIN TEMPLETON
14 SERVICES LLC. (collectively known as the
15 "FRANKLIN FUNDS REGISTRANTS");
16 FRANKLIN RESOURCES, INC.;
17 FRANKLIN ADVISERS, INC.;
18 TEMPLETON/FRANKLIN INVESTMENT
19 SERVICES, INC.; FRANKLIN PRIVATE
20 CLIENT SERVICES, INC.; FRANKLIN
21 MUTUAL ADVISERS, LLC; WILLIAM
22 POST; SECURITY BROKERAGE, INC.;
23 DANIEL G. CALUGAR, DCIP, L.P.;
24 FRANKLIN TEMPLETON STRATEGIC
25 GROWTH FUND, L.P.; and JOHN DOES 1-
26 100

Defendants.

1 **TO THE COURT AND ALL PARTIES OF RECORD:**

2 Pursuant to Local Rule 3-12, plaintiff hereby gives notice of the following related actions
3 now pending in the Northern District:

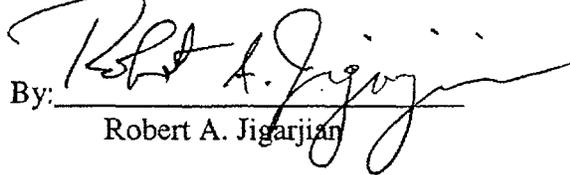
- 4 • *Frederic Ian Fischbein v. Franklin Age High Income Fund,*
5 Case No. C04-0584 JSW
6 Action Filed: February 11, 2004

7 The above action appears to arise from similar transactions, happenings or events, and
8 call for determination of some similar questions of law and fact. The above action asserts
9 alleged violations of the federal securities laws against Franklin Funds.

10 Dated: February 17, 2004

Respectfully submitted,

11 **GREEN & JIGARJIAN LLP**

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Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

FILED
 04 FEB 17 PM 11 31
 RICHARD W. WELLS
 CLERK U.S. DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

E-filing

STEPHEN ALEXANDER
 Plaintiff(s)
 -v-
 FRANKLIN AGE HIGH INCOME
 Defendant(s)

C 04-00639 SC

ORDER SETTING INITIAL CASE MANAGEMENT
 CONFERENCE

IT IS HEREBY ORDERED that this action is assigned to the Honorable Samuel Conti. When serving the complaint or notice of removal, the plaintiff or removing defendant must serve on all other parties a copy of this order, the handbook entitled "Dispute Resolution Procedures in the Northern District of California" and all other documents specified in Civil Local Rule 4-2. Counsel must comply with the case schedule listed below unless the Court otherwise orders.

IT IS FURTHER ORDERED that this action is assigned to the Alternative Dispute Resolution (ADR) Multi-Option Program governed by ADR Local Rule 3. Counsel and clients must familiarize themselves with that rule and with the handbook entitled "Dispute Resolution Procedures in the Northern District of California."

CASE SCHEDULE [ADR MULTI-OPTION PROGRAM]

Date	Event	Governing Rule
02/17/2004	Complaint filed	
06/04/2004	Last day to meet and confer re initial disclosures, early settlement, ADR process selection, and discovery plan	FRCivP 26(f) & ADR LR 3-5
06/04/2004	Last day to file Joint ADR Certification with Stipulation to ADR process or Notice of Need for ADR Phone Conference	Civil L.R. 16-8
06/18/2004	Last day to complete initial disclosures or state objection in Rule 26(f) Report, file/serve Case Management Statement, and file/serve Rule 26(f) Report	FRCivP 26(a)(1) Civil L.R.16-9
06/25/2004	Case Management Conference in Ctrm 1, 17th Floor, SF at 10:00 AM	Civil L.R. 16-10