

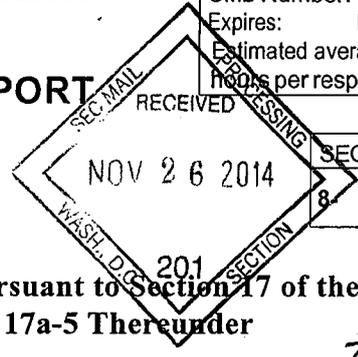
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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



SEC FILE NUMBER  
8-43206

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

REPORT FOR THE PERIOD BEGINNING 10-01-13 AND ENDING 09-30-14  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
Templeton/Franklin Investment Services, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
One Franklin Parkway  
(No. and Street)

FIRM I.D. NO.

San Mateo CA 94403-1906  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Elaine Sabatino (650) 312-3239  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
PricewaterhouseCoopers, L.L.P.

(Name - if individual, state last, first, middle name)

3 Embarcadero Center San Francisco CA 94111  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

12/1/14

OATH OR AFFIRMATION

I, Elaine Sabatino, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Templeton/Franklin Investment Services, Inc., as of September 30, 2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

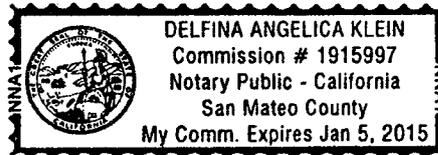
Handwritten signature of Elaine Sabatino

Signature

Chief Financial Officer

Title

State of California
County of San Mateo
Subscribed and sworn to (or affirmed) before me on this 12th day of November 2014 by Elaine Jennings Sabatino proved to me on the basis of satisfactory evidence to be the person who appeared before me.



Handwritten signature of Delфина L. Klein
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**Templeton/Franklin Investment  
Services, Inc. and Subsidiary**  
Report on Audit of Consolidated Statement of  
Financial Condition  
September 30, 2014



**Report of Independent Registered Public Accounting Firm**

To the Board of Directors of  
Templeton/Franklin Investment Services, Inc.:

In our opinion, the accompanying consolidated statement of financial condition presents fairly, in all material respects, the financial position of Templeton/Franklin Investment Services, Inc. and its subsidiary (the "Company") at September 30, 2014 in conformity with accounting principles generally accepted in the United States of America. This consolidated statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statement of financial condition based on our audit. We conducted our audit of the consolidated statement of financial condition 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 consolidated statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

November 12, 2014

**Templeton/Franklin Investment Services, Inc. and Subsidiary**  
**Consolidated Statement of Financial Condition**  
**September 30, 2014**

**Assets**

Cash and cash equivalents .....	\$ 5,090,966
Sales and distribution fees receivable .....	823,038
Due from affiliates .....	686,609
Other .....	64,039
<b>Total Assets .....</b>	<b><u>\$ 6,664,652</u></b>

**Liabilities and Stockholder's Equity**

**Liabilities**

Sales and distribution fees payable .....	\$ 2,367,772
Accounts payable and accrued expenses .....	701,497
Due to affiliates .....	1,065,300
<b>Total liabilities .....</b>	<b><u>4,134,569</u></b>

**Commitments and Contingencies (Note 5)**

**Stockholder's Equity**

Common stock, \$10 par value, 10,000 shares authorized; 100 shares issued and outstanding .....	1,000
Capital in excess of par value .....	36,087,734
Accumulated deficit .....	(33,558,651)
<b>Total stockholder's equity .....</b>	<b><u>2,530,083</u></b>
<b>Total Liabilities and Stockholder's Equity .....</b>	<b><u>\$ 6,664,652</u></b>

See Notes to Consolidated Statement of Financial Condition.

# Templeton/Franklin Investment Services, Inc. and Subsidiary

## Notes to Consolidated Statement of Financial Condition

### September 30, 2014

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#### 1. Business

##### Nature of Operations

Templeton/Franklin Investment Services, Inc. ("TFIS" and collectively with its subsidiary, the "Company") is a wholly-owned subsidiary of Templeton Worldwide, Inc. (the "parent"), which in turn is a wholly-owned subsidiary of Franklin Resources, Inc. ("Franklin"). TFIS is registered with the United States Securities and Exchange Commission (the "SEC") as a broker/dealer and serves as an introducing broker/dealer for Franklin's Luxembourg-domiciled mutual funds to U.S. broker/dealers with offshore clients. TFIS is a member of the Financial Industry Regulatory Authority, which is the designated examining authority of U.S. broker/dealers, and the Securities Investor Protection Corporation.

TFIS operates as an introducing broker/dealer and does not hold funds or securities for customers or carry customer accounts. All customer transactions are cleared through other broker/dealers on a fully-disclosed basis.

TFIS' wholly-owned subsidiary, Templeton Franklin Global Distributors Ltd. ("TFGD"), is a corporation organized under the laws of the commonwealth of Bermuda. TFGD provides distribution services to a mutual fund sponsored by Franklin (the "fund"). Services to the fund are provided under a distribution agreement that sets forth the level and nature of the fees to be charged for these services, which is periodically reviewed and approved by the fund's board of directors/trustees and/or its shareholders.

##### Risks and Uncertainties

Global financial markets provided strong returns during the fiscal year ended September 30, 2014 ("fiscal year 2014"), however volatility increased during the fourth fiscal quarter due to investors' global economic concerns.

The business and regulatory environments in which the Company operates remain complex, uncertain and subject to change. The Company is subject to various laws, rules and regulations that impose restrictions, limitations and registration, reporting and disclosure requirements on, and add complexity to its business and compliance operations. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") also resulted in increased scrutiny and oversight of the Company's financial services and products. The Company continues to analyze the impact of the Dodd-Frank Act as implementing rules are adopted and become effective.

#### 2. Significant Accounting Policies

##### Basis of Presentation

The consolidated statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated statement of financial condition. Management believes that the accounting estimates are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates. The Company has evaluated subsequent events through November 12, 2014, which is the date that the consolidated statement of financial condition was issued.

# Templeton/Franklin Investment Services, Inc. and Subsidiary

## Notes to Consolidated Statement of Financial Condition

### September 30, 2014

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#### **Consolidation**

The consolidated statement of financial condition include the accounts of TFIS and its subsidiary in which it has a controlling financial interest. The Company has a controlling financial interest when it owns a majority of the voting interest in an entity. All material intercompany accounts and transactions have been eliminated.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits with financial institutions and money market funds sponsored by Franklin. Cash and cash equivalents are carried at cost. Due to the short-term nature and liquidity of these financial instruments, the carrying values of these assets approximate fair value.

The Company limits the amount of credit exposure with any given financial institution and conducts ongoing evaluations of the creditworthiness of the financial institutions with which it does business. Deposits with one financial institution exceeded Federal Deposit Insurance Corporation insured limits by \$105,511 at September 30, 2014, representing a concentration of credit risk.

#### **Sales and Distribution Fees Receivable**

Sales and distribution fees receivable are carried at invoiced amounts. Due to the short-term nature and liquidity of the receivables, the carrying values of these assets approximate fair value.

#### **Deferred Sales Commissions**

Sales commissions paid to broker/dealers and investment advisers on shares of the fund sold without a front-end sales charge to investors are capitalized and amortized over the estimated period in which they will be recovered from distribution fees and contingent deferred sales charges, generally over 18 months. Deferred sales commissions are included in other assets in the consolidated statement of financial condition.

#### **Income Taxes**

The Company is included in the consolidated U.S. federal and combined California state income tax returns for Franklin. The Company also files a separate Florida state income tax return.

Under an intercompany tax sharing agreement (the "Agreement"), Franklin allocates these income taxes to the Company using the separate return method except for tax benefits arising from its federal and combined state net operating losses, which are utilized by Franklin under the Agreement. As a result of this exception to the separate company method, the Company does not record in its consolidated statement of financial condition deferred tax assets related to federal or combined state income tax losses. Instead, these deferred tax assets are treated as transferred to Franklin in the year originated by the Company and reflected in stockholder's equity. The Company tracks these net operating loss deferred tax assets in a separate memorandum account.

Consistent with the separate company method, and other than as described above, the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of its assets and liabilities. These deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The impact on deferred charges in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period enacted.

**Templeton/Franklin Investment Services, Inc. and Subsidiary**  
**Notes to Consolidated Statement of Financial Condition**  
**September 30, 2014**

**3. New Accounting Guidance**

There was no new accounting guidance adopted by the Company during fiscal year 2014.

**4. Taxes on Income**

The components of the net deferred tax asset as of September 30, 2014 were as follows:

	<u>Amount</u>
Separate filing state tax net operating loss carry-forwards .....	\$ 359,590
Valuation allowance .....	<u>(359,590)</u>
<b>Total Deferred Tax Assets, Net of Valuation Allowance .....</b>	<b><u>\$ —</u></b>

At September 30, 2014, there were \$16.5 million and \$0.4 million in federal and California state net operating loss carry-forwards expiring between 2018 and 2034, and 2015, respectively. The tax impact of these loss carry-forwards have been utilized by Franklin. The Company maintains memorandum accounting for its federal and California state net operating loss carry-forwards.

At September 30, 2014, there were approximately \$10.1 million in Florida state net operating loss carry-forwards expiring in 2020 and 2034. The tax impact of those loss carry-forward amounts is approximately \$0.4 million and is offset by a valuation allowance due to the uncertainty of realizing the tax benefit of the loss carry-forwards in future years.

At September 30, 2014, the Company had no gross unrecognized tax benefits.

The Company is subject to examination by the taxing authorities in certain jurisdictions. The Company's major tax jurisdictions and the tax years for which the statutes of limitations have not expired are as follows: U.S. federal and state of Florida 2011 to 2014.

**5. Commitments and Contingencies**

**Legal Proceedings**

The Company is from time to time involved 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, financial position, results of operations or liquidity.

**6. Stock-Based Compensation**

The Company participates in Franklin's Amended and Restated Annual Incentive Compensation Plan (the "AIP") and 2002 Universal Stock Incentive Plan, as amended and restated (the "USIP"). Under the terms of the AIP, eligible employees may receive cash, equity awards, and/or mutual fund unit awards generally based on the performance of Franklin and its consolidated subsidiaries, its funds and the individual employee. The USIP provides for the issuance of shares of Franklin's common stock for various stock-related awards to officers, directors, and employees. At September 30, 2014, Franklin had approximately 29.6 million shares available for grant under the USIP. The Compensation Committee of Franklin's Board of Directors determines the terms and conditions of awards under the AIP and USIP.

**Templeton/Franklin Investment Services, Inc. and Subsidiary**  
**Notes to Consolidated Statement of Financial Condition**  
**September 30, 2014**

The Company's liability to Franklin for stock-based compensation as of September 30, 2014 was \$2,223 and is included in accounts payable and accrued expenses in the consolidated statement of financial condition.

**Stock and Stock Unit Awards**

Stock awards generally entitle holders to the right to sell the underlying shares of Franklin's common stock once the awards vest. Stock unit awards generally entitle holders to receive the underlying shares of common stock once the awards vest. Certain performance-based long-term stock and stock unit awards have been granted that generally vest based on the achievement of predetermined Franklin financial performance goals. In the event a performance measure is not achieved at or above a specified threshold level, the portion of the award tied to such performance measure is forfeited.

Stock and stock unit award activity was as follows:

	<u>Shares</u>	<u>Weighted- Average Grant-Date Fair Value Per Share</u>
Nonvested balance at September 30, 2013 .....	666	\$ 36.96
Granted .....	2,103	53.79
Vested .....	(796)	51.67
Transferred out .....	(198)	40.13
<b>Nonvested Balance at September 30, 2014 .....</b>	<b><u>1,775</u></b>	<b>\$ 49.95</b>

Total unrecognized compensation cost related to nonvested stock and stock unit awards, net of estimated forfeitures, was \$71,921 at September 30, 2014. This cost is expected to be recognized over a remaining weighted-average vesting period of approximately one year. The total fair value of stock and stock unit awards vested during fiscal year 2014 was \$44,885.

Franklin generally does not repurchase shares upon vesting of stock and stock unit awards. However, in order to pay taxes due in connection with the vesting of employee and executive officer stock and stock unit awards, shares are repurchased using a net stock issuance method.

**Employee Stock Investment Plan**

The Company participates in the amended and restated Franklin Resources, Inc. 1998 Employee Stock Investment Plan (the "ESIP") which allows eligible participants to buy shares of Franklin's common stock at a discount of its market value on defined dates. The Compensation Committee of Franklin's Board of Directors determines the terms and conditions of awards under the ESIP. A total of 0.6 million shares were issued under the ESIP during fiscal year 2014, and 5.8 million shares were reserved for future issuance at September 30, 2014.

**Templeton/Franklin Investment Services, Inc. and Subsidiary**  
**Notes to Consolidated Statement of Financial Condition**  
**September 30, 2014**

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**7. Related Party Transactions**

The Company periodically enters into transactions during the ordinary course of business with affiliates, which are recorded and settled through intercompany accounts. Amounts due to affiliates relate to these transactions.

The parent has agreed to continue to provide the financial support necessary to fund the Company's operations.

**8. Net Capital Requirement**

TFIS is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1). In accordance with Rule 15c3-1, TFIS is required to maintain a minimum net capital of the greater of 6-2/3% of aggregate indebtedness or \$5,000. In addition, TFIS is required to maintain a ratio of aggregate indebtedness to net capital, both as defined, not in excess of 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting indebtedness to net capital ratio would exceed 10 to 1. As of September 30, 2014, TFIS had net capital of \$598,100 which was \$491,812 in excess of its required net capital of \$106,288. The ratio of aggregate indebtedness to net capital was 2.66 to 1.

All customer transactions are cleared through other broker/dealers on a fully disclosed basis. Therefore, TFIS is not required to maintain a separate bank account for the exclusive benefit of customers or to segregate customer securities in accordance with Rule 15c3-3 of the SEC.

TFIS claims exemption from SEC Rule 15c3-3 based upon paragraph k(2)(ii) of the Rule.

**9. Subsequent Event**

On October 2, 2014, TFIS received a capital contribution from the parent in the amount of \$500,000.