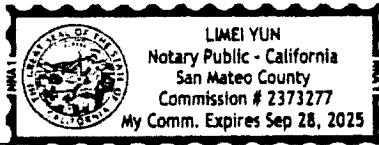




OATH OR AFFIRMATION

I, David Paterson, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Franklin Distributors, LLC, as of 9/30, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Signature of Notary Public: Limei Yun



Notary Public

Signature: David Paterson
Title: Chief Financial Officer & Designated Financial Principal

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

- (a) Statement of financial condition.
(b) Notes to consolidated statement of financial condition.
(c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income...
(d) Statement of cash flows.
(e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
(f) Statement of changes in liabilities subordinated to claims of creditors.
(g) Notes to consolidated financial statements.
(h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
(i) Computation of tangible net worth under 17 CFR 240.18a-2.
(j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
(k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
(l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
(m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
(n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
(o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
(p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
(q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
(r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(t) Independent public accountant's report based on an examination of the statement of financial condition.
(u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
(v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
(y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
(z) Other:

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

# **Franklin Distributors, LLC**

**Statement of Financial Condition**

**September 30, 2022**



## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Member of Franklin Distributors, LLC

### ***Opinion on the Financial Statement – Statement of Financial Condition***

We have audited the accompanying statement of financial condition of Franklin Distributors, LLC (the “Company”) as of September 30, 2022, including the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of September 30, 2022 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

The financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of this financial statement in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

November 14, 2022

We have served as the Company’s auditor since 2006.

**Franklin Distributors, LLC**  
**Statement of Financial Condition**  
**September 30, 2022**

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*(in thousands)*

**Assets**

Cash and cash equivalents	\$	176,530
Receivables		56,297
Due from affiliated entities		44,826
Deferred sales commissions, net		9,565
Deferred taxes, net		3,076
Other		4,010

**Total Assets** \$ 294,304

**Liabilities**

Accrued sales and distribution expenses	\$	115,926
Accounts payable and accrued expenses		44,168
Due to affiliated entities		19,043
Income taxes		13,157

Total liabilities 192,294

**Commitments and Contingencies (Note 6)**

**Member's Capital** 102,010

**Total Liabilities and Member's Capital** \$ 294,304

See Notes to Statement of Financial Condition.

# Franklin Distributors, LLC

## Notes to Statement of Financial Condition

### September 30, 2022

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#### 1. Business

##### Nature of Operations

Franklin Distributors, LLC ("FD" or the "Company") is a wholly owned subsidiary of Templeton Worldwide, Inc. ("TWI" or the "parent"), and an indirect wholly owned subsidiary of Franklin Resources, Inc. ("Franklin").

FD is registered with the Securities and Exchange Commission (the "SEC") as a broker-dealer and with the Commodities Futures Trading Commission (the "CFTC") as an introducing broker. The Company serves as the principal underwriter and distributor for various funds sponsored by Franklin ("affiliated funds"). The Company also acts as direct marketing broker-dealer for institutional investors in mutual funds sponsored by Franklin and private investment vehicles to corporations, pension plans, trusts, and high-net-worth clients on behalf of Franklin subsidiaries; and as marketing broker-dealer for Franklin's Luxembourg and Ireland-domiciled mutual funds to U.S. broker-dealers with offshore clients. FD is a member of the Financial Industry Regulatory Authority ("FINRA"), which is the designated examining authority of U.S. broker-dealers, and the Securities Investor Protection Corporation ("SIPC").

On December 1, 2021, Franklin Templeton Financial Services Corp. ("FTFS"), a wholly owned subsidiary of Franklin, merged into the Company.

#### 2. Significant Accounting Policies

##### Basis of Presentation

The 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 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 14, 2022, which is the date the statement of financial condition was available to be issued.

##### Related Parties

Related parties are affiliated funds and other Franklin subsidiaries ("affiliated entities"). Amounts due to and from affiliated entities, and substantially all of the Company's receivables are from related parties.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of one money market fund sponsored by Franklin and deposits with financial institutions, and 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 local regulatory insured limits by a total of \$25.6 million at September 30, 2022, representing a concentration of credit risk.

# Franklin Distributors, LLC

## Notes to Statement of Financial Condition

### September 30, 2022

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#### Receivables

Receivables primarily consist of fees receivable from investment products and are carried at invoiced amounts. Due to the short-term nature and liquidity of the receivables, their carrying values approximate fair value.

#### Deferred Sales Commissions

Deferred sales commissions consist of upfront commissions paid to financial advisers and broker-dealers on shares of affiliated funds without a front-end sales charge to investors, and are amortized over eighteen months, the period in which they are generally recovered from related revenues. Deferred sales commissions are tested for impairment when there is an indication that the carrying value may not be recoverable.

#### Stock-Based Compensation

The fair value of Franklin's share-based payment awards is estimated on the date of grant based on the market price of the underlying shares of Franklin's common stock. Forfeitures are accounted for as they occur.

#### Income Taxes

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

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 deferred tax assets related to federal or combined state income tax losses in its consolidated statement of financial condition. Instead, these deferred tax assets are treated as transferred to Franklin. The Company tracks these net operating loss deferred tax assets in a separate memorandum account.

Consistent with the separate return method, deferred tax assets and liabilities, other than those related to federal or combined state net operating losses, are recorded for temporary differences between the tax basis of the Company's assets and liabilities and the reported amounts in the consolidated statement of financial condition using the statutory tax rates in effect for the year when the reported amount of the asset or liability is expected to be recovered or settled, respectively.

### 3. Deferred Sales Commissions

Deferred sales commissions at September 30, 2022 were as follows:

<i>(in thousands)</i>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
Deferred sales commissions	<u>\$ 71,991</u>	<u>\$ (62,426)</u>	<u>\$ 9,565</u>

**Franklin Distributors, LLC**  
**Notes to Statement of Financial Condition**  
**September 30, 2022**

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**4. Taxes on Income**

The significant components of deferred tax assets and deferred tax liabilities at September 30, 2022 were as follows:

*(in thousands)*

**Deferred Tax Assets**

Deferred compensation and benefits	\$ 5,002
Net operating loss and tax credit carry-forwards	302
Other, net	42
	<hr/>
Total deferred tax assets	5,346

**Deferred Tax Liabilities**

Amortization of purchased intangibles	361
Deferred commissions	1,909
	<hr/>
Total deferred tax liabilities	2,270
	<hr/>
<b>Net Deferred Tax Asset</b>	<b>\$ 3,076</b>

At September 30, 2022, there were \$0.3million in state tax credits expiring in 2026.

The Company is subject to examination by the taxing authorities in multiple jurisdictions. The Company's major tax jurisdictions and the tax years for which the statutes of limitations have not expired are as follows; 2019 onwards for U.S. Federal, and 2018 onwards for States of California, Florida, New Jersey, New York, New York City, and Pennsylvania.

**5. Commitments and Contingencies**

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 any such claims will not materially affect the Company's business and financial position.

**6. Stock-Based Compensation**

The Company participates in Franklin's Amended and Restated Annual Incentive Compensation Plan (the "AIP"), the 2002 Universal Stock Incentive Plan, as amended and restated (the "USIP"), the amended and restated Franklin Resources, Inc. 1998 Employee Stock Investment Plan (the "ESIP") and the Amended and Restated Franklin Resources, Inc. 2017 Equity Incentive Plan (the "EIP"). The Compensation Committee of Franklin's Board of Directors determines the terms and conditions of awards under the AIP, the USIP, the ESIP and the EIP.

**Stock and Stock Unit Awards**

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/or 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. There are 140 million shares and 23.0 million shares authorized under the USIP and the EIP. At September 30, 2022 19.0 million shares and 14.5 million shares were available for grant under the USIP and the EIP. Stock awards entitle

**Franklin Distributors, LLC**  
**Notes to Statement of Financial Condition**  
**September 30, 2022**

holders to the right to sell the underlying shares of Franklin's common stock once the awards vest. Stock unit awards entitle holders to receive the underlying shares of common stock once the awards vest. Awards vest based on the passage of time or the achievement of predetermined Franklin financial performance goals.

Stock and stock unit award activity was as follows:

	<u>Time-Based Shares</u>	<u>Performance- Based Shares</u>	<u>Total Shares</u>	<u>Weighted- Average Grant-Date Per Share</u>
Nonvested balance at October 1, 2021	454,287	135,045	589,332	\$ 22.16
Granted	672,744	13,990	686,734	32.50
Vested	(388,831)	(65,894)	(454,725)	27.52
Forfeited/canceled	(43,693)	(3,257)	(46,950)	29.09
Transferred in (out), net	48,566	—	48,566	31.69
<b>Nonvested Balance at September 30, 2022</b>	<b><u>743,073</u></b>	<b><u>79,884</u></b>	<b><u>822,957</u></b>	<b>\$ 28.11</b>

The total fair value of stock and stock unit awards vested during the fiscal year was \$12.3 million.

**7. Related Party Transactions**

The amounts related to transactions with affiliates included in the statement of financial condition were as follows:

<i>(in thousands)</i>	<u>Affiliated Funds</u>	<u>Parent and Affiliated Entities</u>
Receivables	\$ 56,297	\$ —
Due from affiliated entities	—	44,826
Due to affiliated entities	—	19,043
Income taxes due to parent	—	13,157

**8. Net Capital Requirement**

The Company is subject to the SEC's Uniform Net Capital Rule ("Net Capital Rule" or "Rule 15c3-1") and CFTC Regulation 1.17 (the "CFTC Rule"), each of which requires the maintenance of minimum net capital.

The Company has elected to use the alternative method, permitted by Rule 15c3-1, which requires it to maintain minimum net capital, as defined, no less than the greater of \$250,000 or 2% of aggregate debit items. Since the Company does not carry customer accounts and does not have customer debits, the minimum net capital required is \$250,000. The CFTC Rule requires the greater of \$45,000 or the amount required under Rule 15c3-1. As of September 30, 2022, the Company had net capital of \$32.3 million, which was \$32.0 million in excess of its minimum requirement under Rule 15c3-1 and the CFTC Rule.

**Franklin Distributors, LLC**  
**Notes to Statement of Financial Condition**  
**September 30, 2022**

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The Company does not claim an exemption under paragraph (k) of 17 C.F.R. § 240.15c3-3 of the SEC's Customer Protection Rule ("Rule 15c3-3"). The Company is relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (2) did not carry accounts of or for customers, and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.

Capital withdrawals are subject to certain limitations, notification requirements and other provisions of the Net Capital Rule.