

FRANKLIN RESOURCES INC
Form 11-K
March 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended September 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-09318

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

FRANKLIN TEMPLETON PROFIT SHARING 401(k) PLAN

B. Name of Issuer of the securities held pursuant to the plan and the address of its principal executive office:
FRANKLIN RESOURCES, INC.

One Franklin Parkway

San Mateo, California 94403

Franklin Templeton Profit Sharing 401(k) Plan
Financial Statements and Supplemental Schedule
As of September 30, 2006 and 2005 and
for the year ended September 30, 2006

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Note: Other schedules required by 29 CFR Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and the Plan Administrator

Franklin Templeton Profit Sharing 401(k) Plan

We have audited the accompanying statement of net assets available for benefits of the Franklin Templeton Profit Sharing 401(k) Plan (the Plan) as of September 30, 2006 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The statement of net assets available for benefits of the Franklin Templeton Profit Sharing 401(k) Plan as of September 30, 2005 was audited by other auditors whose report, dated March 29, 2006, expressed an unqualified opinion on that statement.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no opinion on the effectiveness of the Plan's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of September 30, 2006 and the changes in net assets available for benefits for the year ended September 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year), as of September 30, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the fiscal year ended September 30, 2006 financial statements and, in our opinion, is fairly stated in all material respects in relation to the fiscal year ended September 30, 2006 financial statements as a whole.

/s/ Perry-Smith LLP
Sacramento, California
March 27, 2007

Franklin Templeton Profit Sharing 401(k) Plan

Statements of Net Assets Available for Benefits

| | September 30, | |
|---|-----------------------|-----------------------|
| | 2006 | 2005 |
| Assets: | | |
| Cash | \$ 1,921,167 | \$ |
| Investments (Notes 3 and 4) | 608,713,976 | 518,797,576 |
| Participant loans | 9,784,404 | 10,058,684 |
| Receivables: | | |
| Employer contributions receivable | 12,819,331 | 12,608,067 |
| Amounts due from brokers for securities sold | 195,342 | |
| Total receivables | 13,014,673 | 12,608,067 |
| Total assets | 633,434,220 | 541,464,327 |
| Liabilities: | | |
| Amounts due to brokers for securities purchased | 1,291,074 | |
| Fees payable | 3,807 | |
| Total liabilities | 1,294,881 | |
| Net assets available for benefits: | \$ 632,139,339 | \$ 541,464,327 |

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Profit Sharing 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

For the year ended September 30, 2006

Additions:

Additions to net assets attributed to:

Investment income:

| | |
|---|---------------|
| Net appreciation in fair value of assets (Note 3) | \$ 53,517,705 |
| Dividends | 15,610,034 |
| Interest | 6,633,452 |
| Participant loan interest | 616,257 |
| Common collective trust income | 337,307 |

| | |
|-------------------------|------------|
| Total investment income | 76,714,755 |
|-------------------------|------------|

Contributions:

| | |
|-------------|------------|
| Participant | 25,784,733 |
| Employer | 18,689,102 |
| Rollover | 3,433,701 |

| | |
|---------------------|------------|
| Total contributions | 47,907,536 |
|---------------------|------------|

| | |
|-----------------|-------------|
| Total additions | 124,622,291 |
|-----------------|-------------|

Deductions:

| | |
|----------------------------------|------------|
| Benefits paid to participants | 33,926,786 |
| Administrative fees and expenses | 20,493 |

| | |
|------------------|------------|
| Total deductions | 33,947,279 |
|------------------|------------|

| | |
|---------------------|-------------------|
| Net increase | 90,675,012 |
|---------------------|-------------------|

| | |
|------------------------------------|-------------|
| Net assets available for benefits: | |
| Beginning of year | 541,464,327 |

| | |
|-------------|----------------|
| End of year | \$ 632,139,339 |
|-------------|----------------|

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

1. Description of the Plan General

The Franklin Templeton Profit Sharing 401(k) Plan (the Plan) is a defined contribution plan covering substantially all employees of Franklin Resources, Inc. (the Company) and its U.S. subsidiaries who meet certain minimum age and employment requirements. The Plan has two features: a profit sharing feature and a 401(k) feature. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Participants should refer to, and solely rely upon, the Plan document and summary plan description for a more complete description of the Plan's provisions.

The Board of Directors of the Company has appointed an administrative committee (the Administrative Committee) and an investment committee with certain authority to manage the policy, design, administration and investments of the Plan. The Administrative Committee, consisting of at least 5 members appointed by the Board of Directors of the Company, is the administrator of the Plan. In the absence of the Administrative Committee for any reason, the Company shall be the administrator of the Plan.

Effective December 1, 2005, Nationwide Trust Company, F.S.B. became the Trustee of the Plan (the Trustee) and The 401(k) Company began providing administration and recordkeeping services for the Plan.

Contributions

Pursuant to the 401(k) feature of the Plan, each year, participants may contribute up to 50% of pretax annual compensation, as defined in the Plan document and subject to Internal Revenue Code limitations. Participants age 50 or older may elect to make catch-up contributions.

All eligible employees (as defined in the Plan) may begin contributing to the Plan as of the first of the month following their date of hire or attainment of age 21, if later. Newly hired eligible employees are automatically enrolled in the Plan at a deferral rate of two percent of compensation following an election period during which the employee may either opt out of the Plan or choose a different salary deferral percentage in the manner prescribed by the Plan Administrator. Unless the participant elects otherwise, the deferral rate will automatically increase by one percent each year on December 1st. The automatic increase is stopped when a deferral rate of fifteen percent (effective October 1, 2006) is attained, unless changed by the participant.

The Company makes a matching contribution with respect to 50% of the first 6% of eligible compensation deferred by participants. The Company may also make a discretionary profit sharing contribution. Participants are eligible for employer profit sharing contributions if they have completed 1,000 hours of service during the Plan's fiscal year, as defined by the Plan and are employed on the last day of that year, or are not employed on the last day due to death, disability, or retirement at or after normal retirement age (age 65). Eligible employees become participants in the matching and profit sharing portions of the Plan on the first day of the month immediately following the one-year anniversary of their hire date or attainment of age 21, if later.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

Effective December 1, 2005, the profit sharing assets were changed from committee-directed to participant-directed. All contributions are participant-directed contributions.

Participant Accounts

Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's deferral contributions, allocations of the Company's matching and profit sharing contributions and the Plan earnings and charged with withdrawals and allocations of Plan losses and administrative expenses.

Employer matching contributions are allocated to a participant's account based on the participant's elective contribution.

Employer profit sharing contributions are allocated to each participant's account in a ratio of the participant's eligible compensation to total eligible compensation for all Plan participants, as described in the Plan's document.

The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their deferral contributions plus actual earnings thereon. Participants vest gradually in the Company's matching and profit sharing contribution portion of their accounts plus actual earnings thereon based on their years of service. A participant is 100% vested after five years of vesting service.

Investment Options

Upon enrollment in the Plan, a participant may direct all contributions in 1% increments into any of the following investment options as of September 30, 2006:

Tier 1 Asset Allocation Funds The three asset allocation funds offer a convenient way to obtain a broadly diversified investment program for Plan assets.

Franklin Templeton Conservative Target Fund The fund seeks the highest level of long-term total return consistent with a lower level of risk. The manager allocates assets among broad asset classes by investing in a distinctly weighted combination of Franklin, Templeton and Mutual Series funds; generally 40% equity funds, 40% fixed income funds and 20% short-term investments.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

Investment Options (continued)

Franklin Templeton Moderate Target Fund The fund seeks the highest level of long-term total return consistent with a moderate level of risk. The manager allocates assets among broad asset classes by investing in a distinctly weighted combination of Franklin, Templeton and Mutual Series funds; generally 55% equity funds, 35% fixed income funds and 10% short-term investments.

Franklin Templeton Growth Target Fund The fund seeks the highest level of long-term total return consistent with a higher level of risk. The manager allocates assets among broad asset classes by investing in a distinctly weighted combination of Franklin, Templeton and Mutual Series funds; generally 80% equity funds, 15% fixed income funds and 5% short-term investments.

Tier 2 Building a diversified portfolio. Investment options offered for those who are more comfortable with investing and would like to build their own diversified portfolio that will be consistent with their retirement planning investment objectives and tolerance for risk.

Franklin Capital Growth Fund Seeks capital appreciation, with a secondary goal of current income, by investing primarily in stocks of leading businesses with strong growth prospects.

Franklin Money Fund Seeks to provide investors with a high level of current income as is consistent with the preservation of shareholders capital and liquidity.

Franklin Large Cap Value Fund Seeks long-term capital appreciation by investing at least 80% of the fund's net assets in large-capitalization companies, which are defined as those similar in size to companies in the Russell 1000 Index, at the time of purchase.

Franklin Small Cap Growth Fund II Seeks long-term capital growth by investing at least 80% of its net assets in the equity securities of companies with market capitalizations of generally less than \$1.5 billion.

Franklin Small Cap Value Fund Seeks long-term total return by investing at least 80% of its net assets in securities of smaller companies (market capitalizations under \$3.5 billion at the time of purchase) that the fund's managers believe are undervalued.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

Investment Options (continued)

Franklin Total Return Fund Seeks to provide high, current income consistent with preservation of capital. Capital appreciation over the long term is a secondary goal.

State Street S&P 500 Index Fund Common collective trust established for retirement plans seeks to capture the earnings and growth potential of large U.S. companies. The fund tracks the Standard and Poor's 500 index.

Templeton Foreign Fund Seeks long-term capital growth by investing primarily in equity securities of companies outside the United States, including emerging markets.

Tier 3 Expanded investment options Additional investment options offered for those with more investment expertise who may want a wider selection of investment options from which to build a diversified portfolio that will be consistent with their investment objectives and tolerance for risk.

Franklin Aggressive Growth Fund Seeks capital appreciation by investing substantially in equity securities of companies of any size that demonstrate accelerating growth, increasing profitability, above-average growth or above-average growth potential when compared to the overall economy.

Franklin Blue Chip Fund Seeks long-term capital appreciation by investing substantially in equity securities of high-quality, blue chip companies located in the U.S. with market capitalizations of \$1 billion or more.

Franklin Flex Cap Growth Fund Seeks capital appreciation by investing predominately in the equity securities of small-, medium- and large-size companies.

Franklin Growth Fund Seeks capital appreciation by investing substantially in common stocks of companies that are leaders in their industries, and which the managers believe are suitable for a buy-and-hold strategy.

Franklin High Income Fund Seeks a high level of current income, with a secondary focus on capital appreciation, by investing mainly in higher yielding, lower-rated corporate bonds.

Franklin Income Fund Seeks to maximize income, while maintaining prospects for capital appreciation, by investing in a diversified portfolio of stocks and bonds.

Franklin MicroCap Value Fund Seeks high total return by investing at least 80% of its net assets in companies with a total market capitalization of less than \$400 million that the fund managers believe are undervalued.

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Franklin Rising Dividends Fund Seeks long-term capital appreciation by investing at least 80% of its net assets in companies that have paid consistently rising dividends.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

Investment Options (Continued)

Franklin Small-Mid Cap Growth Fund Seeks long-term capital growth by investing at least 80% of its net assets in equity securities of small- and medium-sized companies with market capitalization values of less than \$8.5 billion.

Franklin U.S. Government Securities Fund Seeks to provide income. Since 1983, the fund has invested substantially in Government National Mortgage Association securities, or Ginnie Maes (GNMAs). These securities carry a guarantee backed by the full faith and credit of the U.S. government as to timely payment of interest and principal.

Franklin Templeton Core Plus Fixed Income Fund Seeks current income with only limited volatility of principal by investing primarily in investment-grade corporate bonds, U.S. Treasury securities or bonds issued by U.S. government agencies.

Mutual Beacon Fund Seeks capital appreciation, with income as a secondary goal, by focusing mainly on undervalued equity securities and to a lesser extent, distressed securities and arbitrage opportunities.

Mutual Discovery Fund Seeks capital appreciation by focusing mainly on undervalued equity securities and to a lesser extent, distressed securities and merger arbitrage opportunities of companies from around the world.

Mutual European Fund Seeks capital appreciation, with income as a secondary goal, by investing at least 80% of its net assets in undervalued equity securities and distressed securities and merger arbitrage opportunities of European companies.

Templeton Developing Markets Trust Seeks long-term capital growth by investing at least 80% of its net assets in securities of developing- or emerging-market issuers.

Templeton Global Smaller Companies Fund Seeks long-term growth by investing at least 80% of its net assets in securities of smaller companies throughout the world, including emerging markets.

Templeton Growth Fund, Inc. Seeks long-term capital growth by investing mainly in equity securities of companies of any nation, including emerging markets.

Templeton World Fund Seeks long-term capital growth by investing mainly in the equity securities of companies of any nation, including emerging markets.

Franklin Resources, Inc. Common Stock

Participants may make investment allocation changes daily via either telephone or internet access to their personal account through The 401(k) Company.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares of Franklin Resources, Inc. allocated to his or her account and is notified by the Trustee prior to the time that such rights are exercised. If the Trustee does not receive timely instructions, the Trustee itself or by proxy votes all such shares in the same ratio as the shares with respect to which instructions were received from participants.

Participants Loans

Participants with a vested balance of at least \$2,000 may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Participants are allowed to have two outstanding loans at any given time; one general purpose loan and one residential loan. Loan transactions are treated as a transfer to (from) the investment fund from (to) the participant loan fund. Loan terms range from 1 to 5 years or up to 15 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at rates that range from 5.00% to 11.00% with maturity dates ranging from October 2006 through October 2021. Principal and interest is paid through semi-monthly payroll deductions.

Payment of Benefits

On termination of service for any reason, a participant may elect to receive the value of the vested interest in his or her account as (with limited exceptions) a lump-sum distribution in cash or property or as a rollover to another eligible retirement plan. Participants may be entitled to receive pre-retirement distributions from their fully vested accounts upon reaching age 59 1/2. However, this distribution is not in addition to their other benefits and will, therefore, reduce the value of benefits received at retirement. As of September 30, 2006, benefits payable to participants that have elected to withdraw from the Plan but have not yet been paid totaled \$696,929. There were no benefits payable to participants that had elected to withdraw from the Plan as of September 30, 2005.

Forfeitures

Forfeitures of Company profit sharing contributions are reallocated to remaining eligible participants at the end of the Plan's fiscal year. Forfeitures of Company matching contributions are used to offset Company matching contributions for the Plan's fiscal year. At September 30, 2006 and 2005, anticipated Company matching contributions were reduced by \$122,837 and \$163,741, respectively.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ significantly from those estimates.

Concentration of Investments

Included in investments at September 30, 2006 and 2005 are shares of Franklin Resources, Inc. common stock with a market value of \$114,708,505 and \$99,408,421, respectively. The investment represents approximately 19% of total investments at September 30, 2006 and 2005. A significant decline in the market value of the Company's common stock would have a material adverse effect on the Plan's net assets available for benefits.

Investment Valuation and Income Recognition

The Plan's assets are stated at fair value. Investments in the shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price of the fund which represents the net asset value of shares held by the Plan at year end. The investment in the Company's common stock is valued at its quoted market price. Collective trusts are valued at the asset value per unit as determined by the collective trust as of the valuation date. Participant loans are valued at their outstanding balances which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gains and losses on sales of securities are calculated on the basis of the weighted-average cost.

Net appreciation (depreciation) in fair value of Plan investments includes net unrealized appreciation (depreciation) of investments and net realized gains and losses on the sale of investments during the period.

Management fees and operating expenses charged to the Plan for investments in shares of registered investment companies (mutual funds) are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Payments of Benefits

Benefits are recorded when paid.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

Risks and Uncertainties

The Plan utilizes various investment instruments including the Company's common stock and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the concentration of credit risk in the Company's common stock, and the level of uncertainty related to changes in the values of these investment securities, it is at least reasonably possible that changes in market values of these securities in the near term could materially affect participants account balances and the amounts reported in the financial statements.

Reclassifications

Certain amounts shown in prior year have been reclassified to conform to current year presentation.

Impact of Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require new fair value measurements, but provides guidance on how to measure fair value by establishing a fair value hierarchy used to classify the source of the information. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Plan's management does not expect the adoption of SFAS 157 to have a material impact on its financial position or results of operations.

Franklin Templeton Profit Sharing 401(k) Plan**Notes to Financial Statements****September 30, 2006 and 2005****3. Investments**

The following table presents investments at fair value that represent 5% or more of the Plan's net assets.

| | September 30, | |
|---|----------------------|---------------|
| | 2006 | 2005 |
| Participant-Directed | | |
| Franklin Cash Reserves Fund 25,913,522 shares | \$ | \$ 25,913,522 |
| Franklin Income Fund 13,166,238 & 6,899,832 shares, respectively | \$ 33,705,569 | \$ 17,180,581 |
| Franklin Money Fund 41,638,690 units | \$ 41,638,690 | \$ |
| Mutual Discovery Fund 1,453,378 & 900,823 shares, respectively | \$ 42,453,182 | \$ 24,250,143 |
| Templeton Developing Markets Trust 1,574,705 & 1,245,375 shares, respectively | \$ 40,564,410 | \$ 27,672,242 |
| Templeton Growth Fund 2,037,009 & 1,409,142 shares, respectively | \$ 52,677,052 | \$ 34,312,619 |
| Franklin Resources, Inc. Stock Fund Common Stock 1,084,714 shares | \$ 114,708,505 | \$ |
| Non-Participant-Directed | | |
| Franklin Cash Reserves Fund 3,322,557 shares | \$ | \$ 3,322,557 |
| Franklin Income Fund 4,419,809 shares | \$ | \$ 11,005,326 |
| Templeton Growth Fund 341,377 shares | \$ | \$ 8,312,545 |
| Franklin Resources, Inc. Stock Fund Common Stock 1,183,996 shares | \$ | \$ 99,408,421 |
| Mutual Discovery Fund 130,592 shares | \$ | \$ 3,515,545 |
| Templeton Developing Markets Trust 155,680 shares | \$ | \$ 3,459,223 |

During the year ended September 30, 2006, the Plan's investments appreciated in value (including gains and losses on investments bought and sold, as well as held during the year) by \$53,517,705 as follows:

| | |
|--|----------------------|
| Registered Investment Companies (mutual funds) | \$ 28,974,536 |
| Franklin Resources, Inc. common stock | 24,543,169 |
| Net appreciation in fair value of investments | \$ 53,517,705 |

Franklin Templeton Profit Sharing 401(k) Plan**Notes to Financial Statements****September 30, 2006 and 2005****4. Non-Participant-Directed Investments**

Effective December 1, 2005, the profit sharing contributions became participant-directed contributions; participants may now direct the investment of their employee contributions, matching contributions and profit sharing contributions into and out of the Company's common stock. Information about the net assets relating to the non-participant-directed investments in the profit sharing feature of the Plan is as follows:

| | September 30, 2005 |
|---------------------------------------|-------------------------------|
| Net assets | |
| Mutual funds | \$ 113,224,573 |
| Franklin Cash Reserves Fund | 3,322,557 |
| Franklin Resources, Inc. common stock | 99,408,421 |
| Contributions receivable | 11,000,000 |
| | \$ 226,955,551 |

5. Federal Income Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated December 22, 2003, that the Plan was designed in accordance with applicable regulations of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Trustee and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and the Plan continues to be tax exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements. The Plan became a multiple employer plan under the IRC during the year ended September 30, 2006 due to changes in ownership of a subsidiary of the Company.

In 2004, the Department of Labor initiated an investigation of the services provided by the Company to ERISA plans, including the Plan. In September 2006, the Department of Labor advised the Company that it had concluded its investigation and that no corrective action was required with respect to the Plan.

6. Management and Trustee's Fees

All administrative and operating expenses of the Plan are paid by the Company or the Plan, as provided in the Plan document.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

7. Plan Termination

The Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts. Any unallocated assets of the Plan will be allocated to participant accounts and distributed in such a manner as the Company may determine.

8. Related Party Transactions

Plan assets are invested in certain mutual funds which are managed and provided with various services by wholly-owned subsidiaries of the Company. Therefore, these investments qualify as party-in-interest transactions. As investment manager, certain subsidiaries of the Company earn annual management fees ranging from 0.30% to 1.21% of the amounts invested in the funds. Fees paid by the Plan for investment management services were included as a reduction of the return earned on each fund.

9. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits per the financial statements to the Form 5500 as of September 30, 2006:

| | |
|---|-----------------------|
| Net assets available for plan benefits per the financial statements | \$ 632,139,339 |
| Less: Amounts due to withdrawing participants | 696,928 |
| Net assets available for benefits per the Form 5500 | \$ 631,442,411 |

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 as of September 30, 2006:

| | |
|--|----------------------|
| Benefits paid to participants per the financial statements | \$ 33,926,786 |
| Add: Amounts allocated to withdrawing participants at September 30, 2006 | 696,929 |
| Benefits paid to participants per the Form 5500 | \$ 34,623,715 |

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to September 30, 2006, but not yet paid as of that date.

10. Plan Amendments

Effective December 1, 2005, the Plan changed its trustee from Franklin Templeton Bank and Trust, F.S.B. to Nationwide Trust Company, F.S.B. and The 401(k) Company began providing the administration and recordkeeping services for the Plan. Assets of the Plan were transferred from Franklin Templeton Bank and Trust, F.S.B. to Nationwide Trust Company, F.S.B. in December 2005.

Franklin Templeton Profit Sharing 401(k) Plan

Notes to Financial Statements

September 30, 2006 and 2005

10. Plan Amendments (continued)

Effective December 1, 2005, the Plan was amended to allow participants to direct the investment of their profit sharing contributions to selected investments made available by the Plan sponsor. In addition, participants may now direct the investment of their deferral, matching and profit sharing contributions into and out of the Company's common stock.

Effective December 1, 2005, the Plan was amended to implement automatic salary reductions. Participants who fail to make initial salary deferral elections or to opt out of participation upon becoming eligible to participate in the Plan will be automatically enrolled in the Plan at a deferral rate of two percent of compensation. Unless the participant elects otherwise, he or she also will be deemed to have elected to have his or her deferral rate automatically increase by 1% each year until the deferral rate reaches 15% (effective October 1, 2006). Participants may elect to modify or revoke these automatic elections.

11. Subsequent Events

The Plan was amended and restated in its entirety effective October 1, 2006. The Plan restatement did not result in any material modifications to the Plan.

On December 22, 2006, The Charles Schwab Corporation entered into an agreement to acquire The 401(k) Companies, Inc. and its subsidiaries from NFS Distributors, Inc. The transaction is expected to close by the end of the first calendar quarter of 2007, subject to customary closing conditions and regulatory approval. The change in ownership will not affect the administration and recordkeeping services provided by The 401(k) Company for the Plan. Upon closing of the transaction, Nationwide Trust Company, F.S.B. will no longer serve as the Trustee and the Plan Administrator has the option to appoint the Charles Schwab Trust Company or another trust service provider as the Plan's trustee.

Franklin Templeton Profit Sharing 401(k) Plan

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

Employer Identification Number 13-2670991

Plan Number 003

September 30, 2006

| (a) | (b) | (c) | (d) | (e) |
|------------------|---|--|------|-----------------------|
| or similar party | Identity of issue, borrower, lessor, | Description of investment including maturity date, rate of interest, collateral, and par or maturity value | Cost | Value |
| | Federated Capital Reserves | Money Market, 132,862 units | ** | \$ 132,862 |
| * | Franklin Aggressive Growth Fund | Mutual Fund, 1,605,997.789 shares | ** | 27,639,222 |
| * | Franklin Blue Chip Fund | Mutual Fund, 610,089.523 shares | ** | 9,523,497 |
| * | Franklin Capital Growth Fund | Mutual Fund, 809,413.947 shares | ** | 9,397,296 |
| * | Franklin Flex-Cap Growth Fund | Mutual Fund, 87,417.996 shares | ** | 3,608,615 |
| * | Franklin Growth Fund | Mutual Fund, 694,262.770 shares | ** | 27,194,273 |
| * | Franklin High Income Fund | Mutual Fund, 464,963.943 shares | ** | 971,775 |
| * | Franklin Income Fund | Mutual Fund, 13,166,237.915 shares | ** | 33,705,569 |
| * | Franklin Large Cap Value Fund | Mutual Fund, 82,527.544 shares | ** | 1,335,296 |
| * | Franklin MicroCap Value Fund | Mutual Fund, 114,216.147 shares | ** | 4,620,043 |
| * | Franklin Money Fund | Money Market Fund, 41,638,690.19 units | ** | 41,638,690 |
| * | Franklin Rising Dividend Fund | Mutual Fund, 739,771.110 shares | ** | 26,809,305 |
| * | Franklin Small Cap Value Fund | Mutual Fund, 212,906.004 shares | ** | 9,472,188 |
| * | Franklin Small-Mid Cap Growth Fund | Mutual Fund, 492,618.452 shares | ** | 19,069,260 |
| * | Franklin Total Return Fund | Mutual Fund, 146,687.629 shares | ** | 1,455,141 |
| * | Franklin U.S. Government Securities Fund | Mutual Fund, 1,811,472.824 shares | ** | 11,684,000 |
| * | Franklin Small Cap Growth Fund II | Mutual Fund, 57,740.942 shares | ** | 733,310 |
| * | Franklin Templeton Core Plus Fund | Mutual Fund, 63,997.219 shares | ** | 664,931 |
| * | Franklin Templeton Conservative Target Fund | Mutual Fund, 105,464.944 shares | ** | 1,376,318 |
| * | Franklin Templeton Growth Target Fund | Mutual Fund, 272,445.762 shares | ** | 4,053,993 |
| * | Franklin Templeton Moderate Target Fund | Mutual Fund, 414,830.276 shares | ** | 5,654,137 |
| * | Mutual Beacon Fund | Mutual Fund, 1,858,109.731 Z shares | ** | 31,309,149 |
| * | Mutual Discovery Fund | Mutual Fund, 1,453,378.355 Z shares | ** | 42,453,182 |
| * | Mutual European Fund | Mutual Fund, 1,068,029.593 Z shares | ** | 25,974,480 |
| | State Trust S&P 500 Index L | Common Collective Trust, 145,727.409 shares | ** | 5,153,941 |
| * | Templeton Developing Markets Trust | Mutual Fund, 1,574,705.373 shares | ** | 40,564,410 |
| * | Templeton Foreign Fund | Mutual Fund, 1,578,495.596 shares | ** | 21,862,164 |
| * | Templeton Global Smaller Companies Fund | Mutual Fund, 1,476,971.350 | ** | 13,617,676 |
| * | Templeton Growth Fund, Inc. | Mutual Fund, 2,037,008.972 | ** | 52,677,052 |
| * | Templeton World Fund | Mutual Fund, 994,620.265 | ** | 19,653,696 |
| * | Franklin Resources Inc Stock Fund | Common Stock, 1,084,714 shares | ** | 114,708,505 |
| * | Loans to Participants | Participant Loans-various rates | | 9,784,404 |
| Total | | | | \$ 618,498,380 |

* Represents a party-in-interest to the Plan

** Cost information is not required for participant-directed investments

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DATE: March 27, 2007

**FRANKLIN TEMPLETON PROFIT SHARING 401(k)
PLAN**

/s/ Sharon Anderson
By: Sharon Anderson
Title: Vice-President HR Benefits
Authorized Representative of the Plan

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|---|
| 23.1 | Consent of Perry-Smith LLP, Independent Registered Public Accounting Firm |