

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

IN RE MUTUAL FUNDS INVESTMENT
LITIGATION

MDL 1586

Franklin Templeton Sub-Track

1:04-MD-15862-JFM

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT AND/OR DISMISSAL OF CLASS ACTION,
SETTLEMENT OF DERIVATIVE ACTION WITH RESPECT TO THE CANARY AND BAS
DEFENDANTS, MOTION FOR ATTORNEYS' FEES AND EXPENSES
AND SETTLEMENT HEARING**

IF YOU PURCHASED AND/OR HELD SHARES IN THE FOLLOWING MUTUAL FUNDS IN THE FRANKLIN TEMPLETON FUNDS ("FRANKLIN FUNDS"): TEMPLETON FOREIGN FUND; TEMPLETON DEVELOPING MARKETS TRUST; TEMPLETON GLOBAL SMALLER COMPANIES FUND; TEMPLETON GLOBAL OPPORTUNITIES TRUST; FRANKLIN CALIFORNIA GROWTH FUND (EFFECTIVE 9/1/02, NAME CHANGED TO FRANKLIN FLEX CAP GROWTH FUND); TEMPLETON GREATER EUROPEAN FUND (EFFECTIVE 8/1/99, NAME CHANGED TO TEMPLETON INTERNATIONAL FUND; EFFECTIVE 8/1/01, NAME CHANGED TO TEMPLETON INTERNATIONAL (EX EM) FUND; AND EFFECTIVE 4/25/07, MERGED INTO TEMPLETON FOREIGN FUND); FRANKLIN SMALL CAP GROWTH FUND (EFFECTIVE 9/1/01, NAME CHANGED TO FRANKLIN SMALL-MID CAP GROWTH FUND); TEMPLETON WORLD FUND; TEMPLETON GROWTH FUND, INC.; FRANKLIN CALIFORNIA TAX-FREE INCOME FUND; FRANKLIN FEDERAL TAX-FREE INCOME FUND; AND TEMPLETON PACIFIC GROWTH FUND (EFFECTIVE 5/8/03, MERGED INTO TEMPLETON FOREIGN FUND) (COLLECTIVELY, THE "CLASS FUNDS" OR THE "FUNDS") DURING THE PERIOD FROM FEBRUARY 6, 1999 THROUGH FEBRUARY 4, 2004, INCLUSIVE (THE "CLASS") YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.

IF YOU ARE A CURRENT SHAREHOLDER OF THE FRANKLIN FUNDS, CERTAIN OTHER RIGHTS MAY ALSO BE AFFECTED BY A SETTLEMENT OF A DERIVATIVE ACTION WITH RESPECT TO THE CANARY AND BAS DEFENDANTS ONLY.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Securities and Time Period: If you purchased and/or held shares in the following Franklin Funds: Templeton Foreign Fund; Templeton Developing Markets Trust; Templeton Global Smaller Companies Fund; Templeton Global Opportunities Trust; Franklin California Growth Fund (effective 9/1/02, name changed to Franklin Flex Cap Growth Fund); Templeton Greater European Fund (effective 8/1/99, name changed to Templeton International Fund; effective 8/1/01, name changed to Templeton International (Ex EM) Fund; and effective 4/25/07, merged into Templeton Foreign Fund); Franklin Small Cap Growth Fund (effective 9/1/01, name changed to Franklin Small-Mid Cap Growth Fund); Templeton World Fund; Templeton Growth Fund, Inc.; Franklin California Tax-Free Income Fund; Franklin Federal Tax-Free Income Fund; or Templeton Pacific Growth Fund (effective 5/8/03, merged into Templeton Foreign Fund), at any time during the period from February 6, 1999 through February 4, 2004, inclusive (the "Class Period"), you may be entitled to a payment from the proceeds of the proposed settlements with the Third Party Settling Defendants described herein (the "Settlements").

Settlement Amount and Statement of Recovery: As more fully described in Question 9 below, the proposed Settlements collectively provide for payment of \$4,437,368 in cash (the "Settlement Fund"). The Settlement Fund is comprised of (i) \$4,074,000 in cash paid on behalf of Bear Stearns & Co. Inc. and certain of its affiliates and successor entities ("Bear Stearns"); (ii) \$185,783 in cash, plus \$37,700 contributed toward the costs of notice and administration of the Settlement Fund, paid on behalf of Banc of America Securities LLC ("BAS"); (iii) \$45,000 paid on behalf of Canary Capital Partners, LLC and certain affiliated entities and Edward Stern (collectively, "Canary"), and (iv) \$94,885 paid on behalf of Security Brokerage, Inc., DCIP, L.P., RCIP, L.P., the Security Brokerage, Inc. Profit Sharing Trust, now known as the Calugar Corporation Profit Sharing Trust, and any successors to, and Daniel G. Calugar ("Calugar") (collectively, "Security Brokerage") (together with Bear Stearns, BAS, and Canary, the "Third Party Settling

Defendants”). The Class (and to the extent applicable, as provided below, the Class Funds themselves) will also receive interest accrued on the Settlement Fund (the “Gross Settlement Fund”). In addition, the Franklin Defendants (as defined below) have agreed to contribute the sum of \$2.75 million in cash toward the costs of distribution (including costs of notice and settlement administration) of the Settlements (the “Franklin Contribution”), pursuant to the Stipulation and Releases dated March 14, 2011 (the “Stipulation”) entered in the above-captioned action, subject to certain limitations and the Court’s approval, representing an additional benefit to the Class (the Franklin Contribution, together with the Gross Settlement Fund, are referred to herein as the “Class Benefit”). Because the Franklin Defendants will pay for all or most of the notice and administration costs, a higher percentage of the Gross Settlement Fund will be disbursed to Class Members with valid claims.¹

The average recovery per share represented by the Class Benefit will vary significantly depending on the specific Class Fund(s) in which a given Class Member owned shares, and the time period during which such shares were owned. The following table illustrates the estimated average recovery per share for each Fund (before deduction of Court-awarded attorneys’ fees and expenses and other Court-approved deductions described in this Notice):

| <i>Class Funds (2/6/99 - 2/4/04)</i> | <i>Approximate Average Per Share Recovery (¢)</i> |
|--|---|
| Templeton Foreign Fund | 0.231¢ |
| Templeton Developing Markets Trust | 0.650¢ |
| Templeton Global Smaller Companies Fund | 0.357¢ |
| Templeton Global Opportunities Trust | 1.193¢ |
| Franklin California Growth Fund | 0.229¢ |
| Templeton Pacific Growth Fund | 4.363¢ |
| Templeton Greater European Fund | 1.715¢ |
| Franklin Small Cap Growth (a/k/a Franklin Small-Mid Cap Growth) Fund | 0.154¢ |
| Templeton World Fund | 0.173¢ |
| Templeton Growth Fund, Inc. | 0.035¢ |
| Franklin California Tax-Free Income Fund | 0.004¢ |
| Franklin Federal Tax-Free Income Fund | 0.012¢ |

The amounts shown for certain Funds reflect that most shareholders in such Funds have already been allocated compensation from settlements with government regulators (which amounts have been or will be distributed to the Funds’ shareholders with more than de minimis alleged damages, and the Franklin Funds themselves) that reduced the amount of recoverable alleged damages for shareholders of these Funds in this lawsuit. However, Plaintiff’s damages consultant has set a minimum allocation of 1% of the Settlement Fund to each Fund, recognizing that certain types of alleged harm, such as certain types of transaction costs from market timing, allegedly borne by long-term shareholders, may not have been fully compensated by the regulatory settlements.

¹ The Class Lead Plaintiff (“Plaintiff”) has also entered into settlement agreements with the Third Party Settling Defendants, and plaintiffs in the Derivative Action have entered into a settlement with Canary and BAS only (the “Third Party Stipulations”). In addition to the Net Settlement Funds (defined below), Class Lead Counsel will distribute to the Class Members, in accordance with the Plan of Allocation, a total of \$90,000 plus interest (the “OAG Amount”) which was obtained by the Office of the New York State Attorney General (“OAG”) in a settlement with Canary. Canary may, depending on the form of the Order and Final Judgment, have the right to withdraw from the Canary settlement.

Please Note: The average per share recovery amounts provided here are only estimates. A Class Member's actual recovery will depend on: (1) the number of claims filed; (2) the particular Fund(s) in which the Class Member held shares; (3) when Class Members purchased their shares in the Funds during the Class Period; (4) whether and when Class Members either sold their shares in the Funds during the Class Period, or held their shares past the end of the Class Period; (5) any administrative costs, including the costs of notice, for the class action lawsuit (the "Class Action" or the "Action") and the Derivative Action as described below, beyond such costs for the Class Action lawsuit being paid by the Franklin Defendants; and (6) the amount awarded by the Court for attorneys' fees, costs, and expenses. Distributions to Class Members will be made based on the Plan of Allocation set forth in this Notice. See the Plan of Allocation on pages 10-18. The recovery in the Derivative Action will be computed after distribution to the Class and will be paid to the Class Funds directly as set forth in the Plan of Allocation set forth on pages 10-13 below.

Requirements for Nominees: If you held or purchased shares in any of the Class Funds listed above during the period from February 6, 1999 through February 4, 2004, inclusive, as **nominee for a beneficial owner**, then within ten (10) days after you are notified of this Settlement, in writing or otherwise, you must either: (1) send a copy of the postcard notice provided to you by the Claims Administrator by first class mail to all such beneficial owners; or (2) provide a list of the names and addresses of such beneficial owners to the Claims Administrator.

The Class Action Lawsuit: The Stipulation proposes to resolve class action litigation over whether or not the Franklin Defendants (described below) violated the securities laws by, among other things, permitting select investors to engage in market-timing activities (including market-timing, late-trading, or short-term or excessive trading of mutual fund shares) pursuant to undisclosed arrangements in order to, among other things, increase the amount of assets in the Funds. See Question 2 below for more information. The "Franklin Defendants" include Franklin Resources, Inc., Franklin Advisers, Inc., Franklin/Templeton Distributors, Inc., and Franklin Templeton Alternative Strategies, Inc. (f/k/a Franklin Templeton Asset Strategies, LLC and Franklin Templeton Alternative Strategies, LLC). The Settlements also resolve class action litigation over whether certain of the Third Party Settling Defendants (described above) violated securities or other laws by participating in or facilitating alleged market-timing activities in the Funds. The Franklin Defendants and Third Party Settling Defendants are collectively referred to hereinafter as the "Defendants." As noted below, the Defendants deny any liability for the claims alleged in the Class Action.

The Parallel Derivative Action: In addition to the Class Action, actions were brought derivatively, on behalf of certain Franklin Funds themselves, alleging market timing in certain Franklin Funds, against many of the same defendants named in the Class Action, seeking a recovery to the Funds themselves (the "Derivative Action"). The Stipulation with the Franklin Defendants does not implicate the Derivative Action, and does not affect or release any claims in the Derivative Action. Of the Third Party Settlements, only the settlements with Canary and BAS affect the Derivative Action, as set forth further below.

Statement of Potential Outcome of Case: The parties disagree on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if Plaintiff were to have prevailed on each claim alleged. Investor Class Plaintiffs (defined below) estimated that if they were able to prove liability and the fact finder found most favorably for Plaintiff and the Class, the potential damages award that was recoverable (assuming the Court's December 9, 2010 opinion was fully overturned on appeal, which was far from assured, and Plaintiff's damages consultant's methodologies were fully accepted by the Court) could range from \$0.0001 per mutual fund share to \$1.48 per mutual fund share. The Defendants deny that they are liable to the Plaintiff or the Class, and deny that Plaintiff or the Class have suffered any damages. Moreover, Canary and BAS deny that they are liable to any of the Franklin Funds, or that any of the Franklin Funds suffered any damages attributable to them.

Fees and Expenses: Investor Lead Counsel and Derivative Counsel ("Lead Counsel") have litigated the Class and Derivative Actions (together, the "Actions") on a contingent basis and has advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class and/or the Funds, they would receive fees and be reimbursed for their litigation expenses from the Settlement Fund, as is customary in this type of litigation. Court-appointed Lead Counsel, together with the Court-appointed Plaintiffs' Administrative Chair/Liaison Counsel, will apply to the Court for attorneys' fees in no event to exceed 25% of the Class Benefit and reimbursement of litigation expenses not to exceed \$445,000, plus interest on these amounts at the same rate and for the same time period as earned by the Gross Settlement Fund. The portion of fees sought by Derivative Counsel will come only from the amounts paid by Canary and BAS. In addition, the Class Lead Plaintiff may seek reimbursement pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA") of a total of up to \$50,000 for its expenses incurred (including lost wages/employee time) in prosecuting the Action.

The following table illustrates the estimated average cost per share for each fund of the attorneys' fees and costs being requested from the Court. **Please note that this amount is only an estimate:**

| <i>Class Funds (2/6/99 - 2/4/04)</i> | <i>Approximate Average Per Share Fees & Costs (¢)</i> |
|--|---|
| Templeton Foreign Fund | 0.074¢ |
| Templeton Developing Markets Trust | 0.207¢ |
| Templeton Global Smaller Companies Fund | 0.114¢ |
| Templeton Global Opportunities Trust | 0.380¢ |
| Franklin California Growth Fund | 0.073¢ |
| Templeton Pacific Growth Fund | 1.391¢ |
| Templeton Greater European Fund | 0.546¢ |
| Franklin Small Cap Growth (a/k/a Franklin Small-Mid Cap Growth) Fund | 0.049¢ |
| Templeton World Fund | 0.055¢ |
| Templeton Growth Fund, Inc. | 0.011¢ |
| Franklin California Tax-Free Income Fund | 0.001¢ |
| Franklin Federal Tax-Free Income Fund | 0.004¢ |

Deadlines:

| | |
|---|--------------------------|
| Submit Proof of Claim: | <u>December 12, 2011</u> |
| Request Exclusion: | <u>October 1, 2011</u> |
| File Objection: | <u>October 1, 2011</u> |
| Court Hearing on Fairness of Settlement: | <u>October 25, 2011</u> |

More Information:

Claims Administrator:
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P.O. Box 2480
Faribault, MN 55021-9180
(877) 465-4895

Investor Lead Counsel:
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Derivative Counsel:
Nicholas E. Chimicles, Esq.
Timothy N. Mathews, Esq.
Chimicles & Tikellis LLP
361 West Lancaster Avenue
Haverford, PA 19041
Telephone: (610) 642-8500

Your legal rights are affected whether you act or do not act. Please read this Notice carefully.

The Circumstances of the Settlements

The principal reason for Plaintiff's consent to the Settlements and Stipulation is to provide a benefit to the Class. With respect to the settlement of the Derivative Action with Canary and BAS, the Plaintiffs in the Derivative Action ("Derivative Plaintiffs") have agreed to the settlement with Canary and BAS, principally, in order to provide a potential benefit to the Class Funds. This benefit must be compared to the risk that a lesser recovery, or even no recovery at all, might be achieved after further contested motions, a trial and likely appeals, possibly years into the future. While Lead Counsel believe their claims were meritorious, they also recognize that further litigation of complex claims such as the ones brought in the Actions, including a potential trial, is a risky proposition and that Plaintiff and the Class (or Derivative Plaintiffs) might not prevail on all, or any, of their claims. Moreover, a significant portion of the claims, which contained much of any potentially recoverable damages, were dismissed by the Court on motions for partial summary judgment by the Franklin Defendants in December 2010. The claims advanced in the Actions involve numerous complex legal and factual issues, including complicated trading practices, which would require additional voluminous work and extensive expert discovery and testimony, and would add considerably to the expenses and duration of the litigation. If the Actions were to proceed, Plaintiff (and, with respect to Canary and BAS, Derivative Plaintiffs) would have to overcome significant defenses to the claims, including, *inter alia*, defenses regarding lack of scienter and damages, among other things. The parties disagree about, among other things: (1) whether the Defendants engaged in conduct that was unlawful or harmful to the members of the Class or any of the Franklin Funds; (2) the method for determining whether or not the value of shares in the Franklin Funds was damaged by market timing; (3) the amount of any such change in value; (4) the extent, if any, that various facts alleged by Plaintiff influenced the trading price of such shares during the relevant period; (5) whether the Defendants acted with scienter; (6) whether the Defendants are liable under the federal securities laws; and (7) whether Class Members suffered damages in excess of the amounts that they have already been compensated for by various regulatory settlements. If the Actions went to trial, issues of liability and the measure of damages, if any, would be hotly contested. The Settlements and Stipulation, therefore, enable the Class to recover \$4,437,368 (plus accrued interest thereon), plus an additional \$2.75 million to pay for costs of distribution (including costs of notice and settlement administration), which otherwise would be borne by the Gross Settlement Fund, and may enable the Class Funds to recover some portion thereof (as described on pages 10-11, 13 below) without incurring any additional risk or costs. As a result, Plaintiff believes that the Settlements provide a fair, reasonable, and adequate recovery for the Class. In addition, the settlement of the derivative claims by plaintiffs in the Derivative Action in the BAS and Canary settlements will provide a further recovery to at least certain of the Class Funds themselves, and will only release claims relating to the Class Funds as to BAS and Canary.

In agreeing to the Settlements and/or the Stipulation, the Defendants do not concede that the asserted claims are valid or have merit, or that their defenses to the claims are invalid or lack merit. The Defendants expressly have denied, and continue to deny, each and all of the claims and contentions alleged by the Plaintiff in the Action (and by Derivative Plaintiffs in the Derivative Action), and all charges of wrongdoing or liability against them arising out of any of the conduct alleged, or that could have been alleged, in the Actions. The Defendants have also denied and continue to deny, among other things, the allegations that any alleged conduct by the Defendants caused the shares held by the Plaintiff or the Class to decline in value, or caused injury to the funds that are the subject of the Derivative Action. Nonetheless, the Defendants consent to the Settlements and/or the Stipulation to eliminate the burden and expense of further litigation.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

| | |
|-------------------------|--|
| SUBMIT A CLAIM | If you owned shares through an Omnibus Account administered by a broker, dealer, or other financial intermediary (meaning that you received your account statements regarding your shares in the Class Funds from an entity other than the Franklin Funds), you must submit a Proof of Claim to the Claims Administrator in order to receive a payment from the Gross Settlement Fund. Other Authorized Claimants are eligible to receive a payment without submitting a Proof of Claim. |
| EXCLUDE YOURSELF | Receive no payment from the Gross Settlement Fund. This is the only option that allows you to file or participate in another lawsuit at your own expense against the Defendants or the Released Persons concerning the Released Claims. |
| OBJECT | You may write to the Court if you do not like the Settlements, the Stipulation, the Plan of Allocation, or Lead Counsel’s request for attorneys’ fees and expenses, or the reimbursement to the Lead Plaintiff for time and expenses. |
| GO TO A HEARING | You may ask to speak in Court about the fairness of the Settlements, the Stipulation, or any part thereof. |
| DO NOTHING | If you owned shares through an Omnibus Account administered by a broker, dealer, or other financial intermediary, and do not submit a claim form, you will receive no payment from the Gross Settlement Fund and claims that you may have that relate to the subject matter of these lawsuits will be released. Other Authorized Claimants are eligible to receive a payment without submitting a Proof of Claim. |

- These rights and options – **and the deadlines to exercise them** – are explained in this Notice. Please note the date of the Settlement Hearing (as described in Question 20 below) – currently scheduled for October 25, 2011 – is subject to change without further notice. If you believe you are a Class Member and plan to attend the hearing, you should check the website, www.mutualfundsettlements.com/franklin, or with Investor Lead Counsel as set forth above, to be sure that no change to the date and time of the hearing has been made. Any significant developments relating to the Settlements or the Stipulation will be posted on the aforementioned website.
- The Court in charge of the Action has yet to decide whether to approve the Settlements and the Stipulation. Payments will be made to Class Members if the Court approves the Settlements and the Stipulation and that approval is upheld if any appeals are filed.

BASIC INFORMATION

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BASIC INFORMATION

1. Why Am I Being Provided Notice of the Settlements and the Stipulation?

You or someone in your family may have held or purchased shares in one or more of the following mutual funds in the Franklin Funds: Templeton Foreign Fund; Templeton Developing Markets Trust; Templeton Global Smaller Companies Fund; Templeton Global Opportunities Trust; Franklin California Growth Fund (effective 9/1/02, name changed to Franklin Flex Cap Growth Fund); Templeton Greater European Fund (effective 8/1/99, name changed to Templeton International Fund; effective 8/1/01, name changed to Templeton International (Ex EM) Fund; and effective 4/25/07, merged into Templeton Foreign Fund); Franklin Small Cap Growth Fund (effective 9/1/01, name changed to Franklin Small-Mid Cap Growth Fund); Templeton World Fund; Templeton Growth Fund, Inc.; Franklin California Tax-Free Income Fund; Franklin Federal Tax-Free Income Fund; or Templeton Pacific Growth Fund (effective 5/8/03, merged into Templeton Foreign Fund) (the “Class Funds” or the “Funds”), during the period from February 6, 1999 through February 4, 2004, inclusive. You may also currently hold shares in one or more of the Franklin Funds.

If this description applies to you, you have a right to know about the proposed resolution of a class action lawsuit, and a partial resolution of a derivative lawsuit, and about all of your options, before the Court decides whether to approve the Settlements and the Stipulation. If the Court approves the Settlements and the Stipulation and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlements and Stipulation allow.

This Long-Form Notice explains the lawsuit, the Settlements, the Stipulation, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

2. What Is This Lawsuit About?

Beginning on or about November 19, 2003, a series of putative securities class action complaints were filed against Franklin Resources, Inc., certain of its affiliates, and certain non-Franklin-related entities, in several federal district courts throughout the country, alleging market-timing and/or late trading in the Funds in violation of the federal securities laws. Market-timing has been described as an investment technique involving short-term, “in and out” trading of mutual fund shares, designed to benefit from alleged inefficiencies in the way mutual fund companies price their shares. Late trading has been described as an investment practice whereby investors are permitted to place orders to buy, sell or exchange mutual fund shares using the day’s net asset value (“NAV”) after the 4:00 p.m. eastern time cut-off, capitalizing on post-4:00 p.m. information. Beginning in 2004, a series of putative derivative actions resulting from the same alleged market-timing and/or late trading practices was filed in various federal district courts.

Various other mutual fund families identified as being involved in regulatory market-timing and/or late trading investigations likewise were named in numerous complaints filed in courts throughout the United States. On February 20, 2004, the Judicial Panel on Multi-District Litigation issued an order centralizing these actions in one multi-district docket in the United States District Court for the District of Maryland under the caption *MDL-1586 - In re Mutual Funds Investment Litigation* (the “MDL Actions”). By letters to counsel in the MDL Actions dated April 9, 2004 and April 12, 2004, the Court assigned each of four Judges a separate track of the MDL Actions, with multiple mutual fund families assigned to sub-tracks within each track. The Franklin Sub-Track was assigned to the Honorable Andre M. Davis, and, in September 2009, reassigned to the Honorable J. Frederick Motz.

On May 25, 2004, the Court issued a case management order consolidating all class actions and other direct cases involving Alliance, Franklin/Templeton, Bank of America/Nations Funds, and Pilgrim Baxter mutual funds, as well as all cases filed on behalf of purchasers or holders of shares of the corporate parents of these entities or their investment advisors (including all cases brought nominally on behalf of the funds or corporate parents of the funds or their investment advisors and styled as derivative actions), for pretrial purposes under the caption *In re Alliance, Franklin/Templeton, Bank of America/Nations Funds, and Pilgrim Baxter*, Civil No. 04-md-15862. By the same case management order, the Court granted the motion of the Deferred Compensation Plan for Employees of Nassau County for appointment as “Lead Plaintiff” for the consolidated class claims and approved its selection of Wolf Popper LLP as lead class counsel for the MDL Franklin Sub-Track (“Class Lead Counsel”). Chemicles & Tikellis, LLP was appointed lead fund derivative counsel for the Franklin Sub-Track (“Derivative Counsel”).

On September 29, 2004, an amended complaint (“Complaint”) was filed in the Action against persons affiliated with the Funds, including the investment advisor to the Funds and its affiliates, as well as certain unaffiliated entities, including alleged market-timers and other parties that were alleged to have participated in or facilitated the market timers’ trading of the Funds. Plaintiff asserted claims in the Complaint under Sections 10(b) and 20(a) of the Securities Exchange Act of

1934 (“Exchange Act”), Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (“Securities Act”), Sections 34(b), 36(a), 36(b) and 48(a) of the Investment Company Act of 1940 (“ICA”), and state law. An amended complaint was also filed by plaintiffs in the Derivative Action. The Derivative Action alleged market timing in certain Franklin Funds, against many of the same Franklin Defendants as the Class Action, seeking a recovery for the Funds themselves. On February 25, 2005, certain defendants moved to dismiss the Complaint, and on March 7, 2005, most of the Franklin Defendants, the Third Party Defendants, and certain other defendants filed supplemental memoranda in support of their motions to dismiss the Complaint.

On August 25, 2005, Judge Motz issued an opinion and order addressing common issues presented in the class actions in the MDL Actions. In light of this order, then-presiding Judge Davis permitted the parties in the Franklin Sub-Track to engage in formal discovery, but did not yet enter a formal order on the motions to dismiss. On July 3, 2007, several fund company defendants in the MDL Actions, including Franklin, again filed a joint motion to dismiss certain claims for lack of standing. On October 19, 2007, Judge Motz denied that motion in part. On June 27, 2008, Judge Davis entered the Investor Class Order, denying in part and granting in part the motions to dismiss the Complaint.

In the meantime, certain of the parties continued to pursue formal discovery. Among other things, these parties served document requests, and responses thereto, and Plaintiff engaged in extensive document discovery and deposition discovery of the Franklin Defendants, and certain other parties and non-parties. Plaintiff also obtained trading data in the Funds for analysis, with the assistance of an expert consultant retained in these MDL 1586 Actions, to determine potential damages alleged in this Action.

On October 22, 2009, after the case was reassigned to Judge Motz, the Court granted in part and denied in part Plaintiff’s request to amend the consolidated amended class action complaint, and on January 11, 2010, Plaintiff filed the Second Consolidated Amended Class Action Complaint (“Second Amended Complaint”). In his order, Judge Motz ruled, among other things, that plaintiffs could not assert claims for the Franklin Defendants’ alleged knowing or reckless failure to disclose that they were unable to prevent market timing where they made good faith efforts to prevent it.

Plaintiff initially brought claims against all of the mutual funds in the Franklin Funds which were allegedly harmed by market timing and/or late trading. After further investigation and discovery during the course of this litigation, as well as analysis of alleged damages by Plaintiff’s consultant, Plaintiff concluded that the evidence indicated that only the Class Funds had potentially suffered any significant damage from market-timing, and that there had not been any late trading which had taken place in the Franklin Funds.

While discovery was ongoing, the parties began to discuss a possible settlement of the Action. Initial discussions between Plaintiff and the Franklin Defendants did not result in settlement. Plaintiff (and, with respect to Canary and BAS, Derivative Plaintiffs) also engaged, at various times, in discussions and negotiations for settlements with the Third Party Defendants of claims in the Franklin Sub-Track, which led to memoranda of understanding with the respective Third Party Defendants. Ultimately, Plaintiff (and, with respect to Canary and BAS, Derivative Plaintiffs) entered into the Third Party Settlements, by stipulations dated on or about January 15, 2010, January 26, 2010, and May 17, 2011. The amounts contributed to the Gross Settlement Fund by these settlements are being held in escrow and have been earning interest. The Derivative Action is currently stayed.

On March 24, 2010, following completion of fact discovery, the Franklin Defendants moved for partial summary judgment of Plaintiff’s claims, and on June 24, 2010, Plaintiff filed a cross-motion for partial summary judgment against the Franklin Defendants. On December 9, 2010, Judge Motz issued an opinion and order granting the Franklin Defendants partial summary judgment of the claims in the Second Amended Complaint, and denying Plaintiff’s cross-motion. Although a portion of the claims survived the summary judgment phase, during the Summer of 2010, the Franklin Defendants’ counsel informed Investor Lead Counsel that certain regulatory settlements of market timing allegations brought by the U.S. Securities and Exchange Commission (“SEC”) and other regulators against the Franklin Defendants and certain other entities would provide shareholders of Franklin Funds in excess of \$100 million, in the aggregate, which would likely substantially offset any damages claims in this Action. These proceeds have been distributed separately by administrators retained by the SEC and are not part of these Settlements or the Stipulation. The Class Benefit is in addition to the amounts recovered in the regulatory proceedings.

In light of these factors, and considering again the estimates of alleged damages in this case prepared by their damage consultants, Plaintiff and Investor Lead Counsel concluded that the compensation from the regulatory settlements, as well as the Settlements with the Third Party Defendants already secured by Plaintiff and Lead Counsel flowing to shareholders of Franklin Funds, including Class Members, would indeed have a substantial possibility of more than offsetting any amount of additional damages that could be proven by establishing those remaining claims that the Court had not dismissed, at any future trial. The Franklin Defendants made known that their next step was to move for

summary judgment on the remaining claims in the Action on the ground that any damages related to those claims had been more than compensated by Franklin in the regulatory settlements and the Settlements with the Third Party Defendants. Under the terms of the regulatory settlements and applicable law, it was highly likely that Franklin would be entitled to an offset against any damages owed in this Action, by the amount it had paid to resolve the regulatory actions, meaning that the remaining claims could be dismissed outright by the Court for lack of any damages not already paid by Franklin, as had occurred in certain other Sub-tracks in this MDL litigation.

Following ongoing and extensive discussions and arm's-length negotiations, Plaintiff entered into an "Aide Memoire" setting forth the principal terms of the resolution of the remaining claims in this Action with the Franklin Defendants on December 21, 2010. The Court thereafter ordered a stay of the Action against the Franklin Defendants. Plaintiff subsequently negotiated the detailed terms of the Stipulation with the Franklin Defendants. The Stipulation with the Franklin Defendants, and the stipulations reached with the Third Party Settling Defendants, are collectively referred to as the "Stipulations."

3. Why is the Class Action a class action, and the Derivative Action a derivative action?

In a class action, one or more individuals and/or entities called class representatives (in this case the court-appointed lead plaintiff, the Deferred Compensation Plan for Employees of Nassau County (the "Class Lead Plaintiff") sue on behalf of individuals and entities who have similar claims. All of these individuals and entities who have similar claims are referred to collectively as a Class, or individually as a "Class Member." One court resolves the issues for all Class Members, except for those who exclude themselves from the Class. The United States District Court for the District of Maryland, the Honorable J. Frederick Motz, is in charge of the Class Action.

In a derivative action, one or more people and/or entities who are shareholders of a corporation sue on behalf of the corporation itself, alleging that it was injured, and seek to enforce the corporation's legal rights. In a derivative action, the corporation and not the individual shareholders of the corporation usually receives the direct benefit of the settlement, and the individual shareholders may receive an indirect benefit such as an increase in the value of their shares. In this case, Derivative Plaintiffs sued on behalf of certain of the Franklin Funds and the Class Funds may be beneficiaries of the partial settlement of the Derivative Action with Canary and BAS, as described further below.

4. Why is There a Resolution of the Class Action and a Partial Resolution of the Derivative Action?

In order to avoid the risks and costs of further litigation and trial, all parties in the Class Action agreed to a resolution of the litigation. As explained above, Class Lead Plaintiff and its attorneys believe the Settlements and the Stipulation are best for all Class Members. Likewise, the parties to the partial settlement of the Derivative Action with BAS and Canary agreed to a resolution to avoid the risks and costs of further litigation and trial, and the Derivative Plaintiffs and their counsel believe that resolution is best for the Funds.

WHO IS IN THE CLASS

To see if you will receive money from the Settlements, you first have to determine if you are a Class Member.

5. How Do I Know if I Am Part of the Class?

The Class includes: every person (meaning a natural person or any legal entity, including, without limitation, individuals, corporations, employee pension or other benefit or ERISA plans, and trusts) who, during the Class Period of February 6, 1999 through February 4, 2004, inclusive, purchased, owned or held shares in any of the following mutual funds in the Franklin Funds: Templeton Foreign Fund; Templeton Developing Markets Trust; Templeton Global Smaller Companies Fund; Templeton Global Opportunities Trust; Franklin California Growth Fund (effective 9/1/02, name changed to Franklin Flex Cap Growth Fund); Templeton Greater European Fund (effective 8/1/99, name changed to Templeton International Fund; effective 8/1/01, name changed to Templeton International (Ex EM) Fund; and effective 4/25/07, merged into Templeton Foreign Fund); Franklin Small Cap Growth (effective 9/1/01, name changed to Franklin Small-Mid Cap Growth Fund); Templeton World Fund; Templeton Growth Fund, Inc.; Franklin California Tax-Free Income Fund; Franklin Federal Tax-Free Income Fund; or Templeton Pacific Growth Fund (effective 5/8/03, merged into Templeton Foreign Fund) (the "Class Funds"), *except those persons and entities that are excluded, as described below*. Any Class Member who is determined to be eligible for payment from the Net Settlement Funds (defined below) is referred to as an Authorized Claimant in the Plan of Allocation.

6. What Are the Exceptions to Being Included?

Excluded from the Class are Defendants, any subsidiary, affiliate, director, or officer of any of the Defendants, any entity in which any excluded person or entity has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person or entity. Also excluded from the Class are all persons and entities who exclude themselves from the Class by timely requesting exclusion in accordance with the requirements set forth herein.

7. I Am Still Not Sure if I Am Included.

If you are still not sure whether you are included, you can ask for free help. You can call the Claims Administrator, Rust Consulting, Inc., at 1-877-465-4895, for more information.

THE SETTLEMENT BENEFITS – WHAT YOU RECEIVE

8. What Do the Settlements and Stipulation Provide?

The proposed Settlements and the Stipulation consist of (i) \$4,437,368 in cash, paid on behalf of the Third Party Settling Defendants, and (ii) up to \$2.75 million contributed toward the costs of distribution in the Class Action (including costs of notice and administration) being paid for by the Franklin Defendants, plus interest thereon. The balance of this fund (excluding the Franklin Contribution), after payment of court-approved attorneys' fees and litigation expenses and, certain of the costs of claims administration and notice, and any other Court approved deductions (the "Net Settlement Funds"), plus the \$90,000 OAG Amount to be distributed to Class Members pursuant to Canary's settlement with the OAG, shall be paid to qualifying Authorized Claimants, and, potentially, to the Class Funds. *See* Question 10 below for more details regarding the allocation of the Net Settlement Funds.

PLAN OF ALLOCATION OF NET SETTLEMENT FUNDS

9. HOW MUCH WILL MY PAYMENT BE?

The proposed Plan of Allocation provides for distribution of the Net Settlement Funds to persons or entities entitled to recovery ("Authorized Claimants") as follows:

If you are entitled to a payment, your share of the Net Settlement Funds will depend on, among other things, the number of shares in the Class Funds you purchased and/or held during the Class Period, and when you purchased and sold your shares. By following the Plan of Allocation described herein, you can estimate your "Recognized Claim." The Claims Administrator will distribute the Net Settlement Funds according to the Plan of Allocation.

THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

(1) A total of \$4,437,368 in cash, which has been accruing interest, has been paid into escrow for the benefit of (i) the Class, and, (ii) to the extent paid by BAS and Canary, potentially, the Franklin Funds (for which, pursuant to the Plan of Allocation, the Class Funds may be eligible to receive payment, as they were the Franklin Funds in which Plaintiff's consultant found the most significant alleged dilution damages from market-timing). The \$90,000 (plus interest) OAG/Canary recovery described in Question 8 above will also be distributed to Authorized Claimants.

(2) After approval of the Settlements and the Stipulation by the Court and upon satisfaction of the other conditions to the Settlements and the Stipulation, the Net Settlement Funds will be distributed to Authorized Claimants in accordance with the Plan of Allocation. If any amount of the Net Settlement Funds remains undistributed after distribution of the Net Settlement Funds to Authorized Claimants on account of a lack of current addresses or forwarding addresses or otherwise after reasonable and diligent efforts by the Claims Administrator, or any returned or uncashed checks, such undistributed amounts shall be distributed to the Class Funds, or their successor funds.

(3) The Settlement Fund will be distributed as follows:

(i) to pay all federal, state and local taxes on any income earned by the Settlement Fund and to pay the reasonable costs incurred in connection with determining the amount of, and paying, taxes owed by the Settlement Fund (including reasonable expenses of tax attorneys and accountants);

(ii) to pay any costs and expenses in connection with providing Notice to Class Members and current Franklin Fund shareholders, and administering the Settlement on behalf of Class Members, other than those notice and administration-related costs vis-à-vis the settlements of the Class Action that the Franklin Defendants have agreed to pay (*i.e.*, up to \$2.75 million);

- (iii) to reimburse Plaintiffs' Counsel for the costs and expenses that Plaintiffs' Counsel incurred in connection with commencing and prosecuting the Actions (potentially including expenses incurred by Class Liaison Counsel), with interest thereon, and render any Plaintiff's Award to the Class Lead Plaintiff for its time and expenses, if and to the extent allowed by the Court;
- (iv) to pay Plaintiffs' Counsels' attorneys' fees, to the extent allowed by the Court (including any attorneys' fees awarded to Class Liaison Counsel);
- (v) to compensate Authorized Claimants with the balance of the Net Settlement Funds in accordance with the Plan of Allocation; and
- (vi) to the extent any funds remain in the Net Settlement Funds after distribution to Authorized Claimants is made because of uncashed distributions or otherwise, to the Class Funds.

As noted above, before any distributions can be made from the Settlement Fund, the Court must first issue an Order approving the Settlements, the Stipulation, and the Plan of Allocation (or such other allocation plan as the Court may approve) (the "Approval Order"), and the Approval Order must become final (meaning that the time for appeal or appellate review of the Approval Order has expired, or, if the Approval Order is appealed, that the appeal is either decided without causing a material change to the Approval Order or is upheld on appeal and no longer subject to appellate review by further appeal or writ of certiorari).

(4) The Net Settlement Funds will not be distributed until the Court has approved a plan of allocation, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, has expired.

(5) Defendants are not entitled to get back any portion of the settlement funds once the Court's Order approving the respective settlements becomes final, although, pursuant to the Stipulation, the Class Funds themselves may get certain monies in the event that the Franklin Defendants do not have to pay the full amount of the \$2.75 million Franklin Contribution for notice and administration costs and expenses in the event that the actual amount of such costs and expenses in the Class Action is less than \$2.75 million.

(6) Approval of the Settlements and Stipulation is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlements or Stipulation, if approved.

(7) Omnibus Sub-Account Holders, that is, Class Members who received their account statements from a broker, dealer, or financial intermediary other than through the Franklin Funds, will be required to submit a Proof of Claim establishing their membership in the Class, in order to be eligible for a payment from the Gross Settlement Fund. The Proof of Claim must include all required documentation, and must be postmarked on or before December 12, 2011, to the address set forth in the Claim Form. A copy of the Proof of Claim is found at the end of this Notice and may be downloaded from www.mutualfundsettlements.com/franklin or may be requested from the Claims Administrator at P.O. Box 2480, Faribault, MN 55021-9180 or by calling (877) 465-4895. Unless the Court otherwise orders, any Omnibus Sub-Account Holder who fails to submit a Proof of Claim postmarked no later than December 12, 2011, shall be forever barred from receiving payments pursuant to the Settlements but will in all other respects remain a Class Member and be subject to the provisions of the Stipulations, including the terms of any Judgment entered and releases given. This means that each Omnibus Sub-Account Holder releases the Released Claims (as defined in paragraph 1(ggg) of the Stipulation) against the Franklin Released Parties (as defined in paragraph 1(jj) of the Stipulation), as well as, with respect to the Third Party Settling Defendants, the "Released Claims" as defined in the respective Stipulations between the Franklin Defendants and the Third Party Settling Defendants with the Plaintiff, and is enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Claims against any of the Franklin Released Parties, or the other Third Party Settling Defendants, regardless of whether or not such Omnibus Sub-Account Holder submits a Proof of Claim. Note that Class Members who received account statements regarding their shares in the Class Funds directly from the Franklin Funds are not required to submit a Proof of Claim, and will be directly mailed checks if eligible pursuant to the terms set forth in this Notice.

(8) The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the Claim of any Class Member.

(9) The Court has also reserved the right to modify the Plan of Allocation without further notice to Class Members. Any Orders regarding a modification of the Plan of Allocation will be posted on the Settlement website, www.mutualfundsettlements.com/franklin.

(10) Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Plaintiff, Plaintiff's Counsel, Defendants, Franklin Released Parties,

Defendants' Counsel, or the Claims Administrator or other agent designated by Plaintiff's Counsel arising from distributions made substantially in accordance with the Stipulation, the Plan of Allocation, or further orders of the Court. Plaintiff, Defendants, their respective counsel, and all other Franklin Released Parties shall have no responsibility or liability whatsoever for the use, investment or distribution of the Settlement Funds, the Net Settlement Funds, the Franklin Contribution, the Plan of Allocation, or the determination, administration, calculation, or payment of any Claim Form or nonperformance of the Claims Administrator, the payment or withholding of taxes owed by the Gross Settlement Fund, or any losses incurred in connection therewith.

(11) As soon as practicable after the Effective Date has occurred, the Claims Administrator shall distribute the Net Settlement Funds to eligible Class Members in accordance with the terms of the Plan of Allocation. The objective of the Plan of Allocation is to equitably distribute the Settlement proceeds to those Class Members who were allegedly damaged by the alleged misconduct.

(12) Payments from the Net Settlement Funds to Class Members who held their shares in the Class Funds directly with Franklin Funds (i.e., those Class Members who received account statements regarding their shares directly from Franklin Funds), will be calculated by the Claims Administrator pursuant to the Plan of Allocation using share trading and holdings data provided by the Franklin Defendants or their transfer agents to the Claims Administrator. Such payments may be made by the Claims Administrator to Authorized Claimants by mail to their last known addresses. Omnibus Sub-Account Holders will be required to submit a Proof of Claim in order to be eligible to participate in the distribution of the Net Settlement Funds. Each Omnibus Sub-Account Holder will need to submit information and supporting documentation concerning the total assets held at various times in the Class Funds, in conjunction with his or her or its Proof of Claim. In most cases, information contained in year-end or quarterly mutual fund statements from the relevant 1999-2004 period will be sufficient. Please check the Proof of Claim form for further instructions on what documentation to submit. If an Omnibus Sub-Account Holder did not hold any shares as of a particular date, they do not need to submit documentation of their lack of holdings. Note that Class Members who received account statements regarding their shares in the Class Funds directly from Franklin Funds are not required to submit a Proof of Claim. All Authorized Claimants who cash a payment check received from the Claims Administrator will be deemed to have represented to the Court that they have not, to the best of their knowledge, engaged in wrongful market-timing or late trading activity in any Class Fund.

CALCULATION OF RECOGNIZED CLAIMS

(13) An Authorized Claimant's recognized claim ("Recognized Claim") will be calculated as follows:

(i) For each Class Fund, the Claims Administrator will calculate the Authorized Claimant's "Cumulative Asset Value" for each calendar year during the Class Period by adding the daily asset values for each fund held by the Claimant. For purposes of calculating a claimant's Cumulative Asset Value (a) "calendar year 1999" will be deemed to begin as of February 6, 1999 and (b) "calendar year 2004" will be deemed to end on February 4, 2004. If an Authorized Claimant did not hold shares in a particular Class Fund during a particular calendar year, his, her, or its Cumulative Asset Value for that Fund and for that year shall be zero.

(ii) For each Class Fund, the Claims Administrator will calculate the Authorized Claimant's "Annual Losses" for each year during the Class Period by multiplying the Authorized Claimant's Cumulative Asset Value by a settlement ratio based on the estimated "dilution" in a fund to the total cumulative daily asset values of the fund (the "Settlement Ratio"). The general methodology for determining dilution is set forth on Exhibit A of the Stipulation (available at www.mutualfundsettlements.com/franklin). A distinct Settlement Ratio applies for each fund and each calendar year. The total of the Annual Losses for a particular Fund across all years during the Class Period shall equal the Authorized Claimant's "Total Losses" for that Fund.

(iii) The Authorized Claimant's Recognized Claim will equal the sum of the Claimant's "Total Losses" across all Class Funds. The amount eventually paid to each Claimant is likely to be less than his, her, or its Recognized Claim amount as all Recognized Claims will be adjusted on a *pro rata* basis, based on the available amount in the Net Settlement Funds, as set forth in paragraph 17.

You do not need to have held shares for the entire Class Period in order to have a Recognized Claim. However, Class Members who held any Class Fund shares for a relatively short period of time may not have a Recognized Claim, depending on the specific period when the shares were held.

(14) An Authorized Claimant may estimate his, her, or its Recognized Claim under the Plan of Allocation by using the information in the worksheet contained in Exhibits A and B hereto. Exhibit A also contains an illustration of how a

sample holder of Class Funds during the Class Period can utilize the worksheet to calculate her Recognized Claim. Exhibit C allows you to convert a Recognized Claim amount into a per share figure.

(15) Note that the Claims Administrator will be using more extensive and detailed data to calculate Recognized Claims than is required in the worksheet on Exhibit A, including adding the daily asset values for each fund held by the Claimant where the data is available to the Claims Administrator, as opposed to yearly total assets required in the worksheet. As a result, Exhibit A provides only an estimate of a Class Member's Recognized Claim.

ADDITIONAL PROVISIONS

(16) The Net Settlement Funds will be allocated among all eligible Class Members. The following Class Members shall not be eligible for any payment from the Net Settlement Funds:

- (i) any person or legal entity identified as a market-timer by Plaintiff's damages consultant;
- (ii) any holder of shares of any Class Fund during the Class Period whose account was frozen by the Franklin Defendants or Franklin Funds due to violations of the Class Funds' policies on market-timing; and/or
- (iii) any other person who engaged in wrongful conduct alleged in the Second Amended Class Action Complaint.

(17) The Claims Administrator shall determine each Authorized Claimant's share of the Net Settlement Funds based upon each Authorized Claimant's Recognized Claim. If the sum total of Recognized Claims of all Authorized Claimants who are entitled to receive payment out of the Net Settlement Funds is greater than the Net Settlement Funds, however, each such Authorized Claimant shall receive his, her, or its *pro rata* share of the Net Settlement Funds. The *pro rata* share shall be the Authorized Claimant's Recognized Claim divided by the total of all Recognized Claims to be paid from the Net Settlement Funds, multiplied by the total amount in the Net Settlement Funds. Notwithstanding the foregoing, if an Authorized Claimant's Recognized Claim is \$10 or less or if an Authorized Claimant's *pro rata* share of the Net Settlement Fund is \$10 or less, that Authorized Claimant shall not be eligible for a distribution from the Net Settlement Funds. In addition, if the Total Losses of an Authorized Claimant in any particular Class Fund is \$10 or less, that amount of Total Losses will not be included in the calculation of the Authorized Claimant's Recognized Claim.

(18) If the Net Settlement Funds exceed the sum total amount of the Recognized Claims of all Authorized Claimants entitled to receive payment out of the Net Settlement Funds, the excess amount in the Net Settlement Funds shall be distributed *pro rata* to the Authorized Claimants who would have a *pro rata* share of more than \$10. If any monies remain in the Net Settlement Funds because of any uncashed checks or other reasons, then they shall be distributed among the Class Funds, or their successor funds.

(19) The Plan of Allocation set forth herein is the plan that is being proposed by Plaintiff and Plaintiff's Counsel to the Court for approval. The Court may approve this plan as proposed or it may modify the Plan of Allocation without further notice to the Class.

(20) The Recognized Claim formula is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlements. The Recognized Claim formula is the basis upon which the Net Settlement Funds will be proportionately allocated to the Authorized Claimants.

Exhibit A

This Exhibit provides a worksheet that you can use to estimate your Recognized Claim. If you owned shares in more than one Class Fund, you should complete a separate worksheet for your holdings in each Class Fund, and then add your “Total Losses” in each of the different funds to compute your Recognized Claim. You should make copies of this worksheet so that you can estimate your “Total Losses” for each Class Fund in which you held shares during the Class Period. You will find step by step instructions for completing the worksheet below.

You do not need to submit the worksheets in Exhibits A and C. They are only for your informational purposes so you can estimate your Recognized Claim amounts if you wish to do so.

Worksheet for Calculating Your “Total Losses” in a Class Fund

Name of Fund _____

| | | <i>Estimation of Recognized Claim</i> | | | | | |
|-----|---|---------------------------------------|--------|--------|--------|--------|--------|
| | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| (A) | Starting Number of Shares (as of first day of year) ^[1] | | | | | | |
| (B) | Ending Number of Shares (as of last day of year) ^[2] | | | | | | |
| (C) | Sum of Number of Shares - Add Row (A) and Row (B) | | | | | | |
| (D) | Average Number of Shares - Divide Row (C) by 2 | | | | | | |
| (E) | Estimated Loss Factors - from Exhibit B | - | - | - | - | - | - |
| (F) | Multiply Row (D) times Row (E) | - | - | - | - | - | - |
| (G) | Adjustment Factor | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| (H) | Annual Losses - Divide Row (F) by Row (G) | \$ | \$ | \$ | \$ | \$ | \$ |

TOTAL LOSS \$

Sum of Row (H)

[1] If you own more than one class of shares in any Franklin Class Fund, sum the number of shares held for the classes. Additionally, for “Starting Number of Shares”, as of first day of 1999, use the number of shares held as of either February 6, 1999 or as of the quarter ended March 31, 1999.

[2] If you own more than one class of shares in any Franklin Class Fund, sum the shares for the classes. Additionally, for “Ending Number of Shares”, as of the last day of 2004, use the number of shares held as of either February 4, 2004 or as of the quarter ended March 31, 2004.

You can calculate your “Total Losses” in any Class Fund in seven easy steps:

- (i) Complete a separate version of the table in Exhibit A for each Fund in which you owned shares by entering the yearly starting and ending number of shares held in the Fund in Row A and Row B, respectively.
- (ii) Determine the Sum of Number of Shares by adding the entries in Row A and Row B for each column of the table in Exhibit A, and enter the total for each year in Row C, “Sum of Number of Shares.”
- (iii) Determine the Average Number of Shares by dividing the entries in Row C by 2, and enter the total for each year in Row D, “Average Number of Shares.”
- (iv) Identify the relevant Loss Factor from the table in Exhibit B for each calendar year and for the relevant Fund. Enter the Loss Factor in Row E.
- (v) Next, multiply the Loss Factor amount in Row E times the Average Number of Shares amount in Row D, and enter the result in Row F.
- (vi) To determine your Annual Losses, divide the amount in Row F by the Adjustment Factor listed in Row G, and enter the Result in Row H. For any year in which your Average Number of Shares were zero, or for which the Loss Factor is zero, your Annual Loss will also be zero.
- (vii) Finally, add together all of the Annual Losses to get your “Total Losses” for this Class Fund. **If you held shares during a year for which the Loss Factor is a negative value, you must complete the worksheet for those years, and include the results in your “Total Loss” amount.**

If you had holdings in more than one Class Fund during the Class Period, repeat these calculations for each Fund and add the results together to calculate your “Recognized Claim”.

An Illustration

Mrs. Sample Shareholder reviews her account statements and determines that she held shares in the Templeton Foreign Fund during the Class Period. Based on her statements, she records the following holdings of assets in this fund in a copy of the table in Exhibit A.

Name of Fund Templeton Foreign Fund

| | | <i>Estimation of Recognized Claim</i> | | | | | |
|-----|--|---------------------------------------|----------------|---------------|---------------|---------------|---------------|
| | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| (A) | Starting Number of Shares (as of first day of year) ^[1] | 25,000 | 10,000 | 40,000 | 15,000 | 20,000 | 40,000 |
| (B) | Ending Number of Shares (as of last day of year) ^[2] | 10,000 | 40,000 | 15,000 | 20,000 | 40,000 | 40,000 |
| (C) | Sum of Number of Shares - Add Row (A) and Row (B) | 35,000 | 50,000 | 55,000 | 35,000 | 60,000 | 80,000 |
| (D) | Average Number of Shares - Divide Row (C) by 2 | 17,500 | 25,000 | 27,500 | 17,500 | 30,000 | 40,000 |
| (E) | Estimated Loss Factors - from Exhibit B | 7.408 | 5.666 | 2.691 | 4.402 | 2.925 | 0.030 |
| (F) | Multiply Row (D) times Row (E) | 129,640.00 | 141,650.00 | 74,002.50 | 77,035.00 | 87,750.00 | 1,200.00 |
| (G) | Adjustment Factor | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| (H) | Annual Losses - Divide Row (F) by Row (G) | \$12.96 | \$14.17 | \$7.40 | \$7.70 | \$8.78 | \$0.12 |

TOTAL LOSS \$51.13

Sum of Row (H)

[1] If you own more than one class of shares in any Franklin Class Fund, sum the number of shares held for the classes. Additionally, for “Starting Number of Shares”, as of first day of 1999, use the number of shares held as of either February 6, 1999 or as of the quarter ended March 31, 1999.

[2] If you own more than one class of shares in any Franklin Class Fund, sum the number of shares held for the classes. Additionally, for “Ending Number of Shares”, as of the last day of 2004, use the number of shares held as of either February 4, 2004 or as of the quarter ended March 31, 2004.

Mrs. Shareholder follows the instructions above to complete the Exhibit A worksheet for estimating her losses from market-timing in the Templeton Foreign Fund, based on her holdings information, as shown above. She does the required addition to get her Sum of Number of Shares in Row C, and then divides that balance by 2 to get her Average Number of Shares in Row D. She then enters the relevant Loss Factor from Exhibit B into Row E, and multiplies this times the Row D Average Number of Shares, entering the result in Row F. Next, Mrs. Shareholder divides Row F by the Row G Adjustment Factor to obtain her Annual Loss, which she enters in Row H. Mrs. Shareholder adds up her Annual Losses to obtain a “Total Loss” amount of \$50.87. Because this is the only Class Fund in which Mrs. Shareholder held shares during the Class Period, Mrs. Shareholder’s estimated Recognized Claim would be \$50.87. She understands that the amount eventually paid to her is likely to be less than this amount for the reasons explained above regarding *pro rata* distribution.

Exhibit B

Loss Factors to be used to calculate Claims in Exhibit A²

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Templeton Foreign Fund | 7.408 | 5.666 | 2.691 | 4.402 | 2.925 | 0.030 |
| Templeton Developing Markets Trust | 12.997 | 25.323 | 8.376 | 7.357 | 10.803 | 0.141 |
| Templeton Global Smaller Companies Fund | 11.829 | 21.860 | 1.799 | 0.195 | 0.000 | 0.000 |
| Templeton Global Opportunities Trust | 29.394 | 87.180 | 2.511 | 0.000 | 0.197 | 0.000 |
| Franklin California Growth Fund | 0.058 | 18.557 | 4.194 | 0.000 | 0.000 | 0.106 |
| Templeton Pacific Growth Fund | 48.338 | 263.207 | 78.419 | 46.148 | 0.225 | 0.000 |
| Templeton Greater European Fund | 51.045 | 45.512 | 37.078 | 31.921 | 5.896 | 0.027 |
| Franklin Small Cap Growth (a/k/a Franklin Small-Mid Cap Growth) Fund | 14.278 | 1.0801 | 0.000 | 0.000 | 0.000 | 0.012 |
| Templeton World Fund | 4.837 | 11.715 | 0.301 | 0.283 | 0.178 | 0.004 |
| Templeton Growth Fund, Inc. | 2.335 | 0.828 | 0.135 | 0.132 | 0.000 | 0.099 |
| Franklin California Tax-Free Income Fund | 0.000 | 0.000 | 0.000 | 0.344 | 0.000 | 0.024 |
| Franklin Federal Tax-Free Income Fund | 0.000 | 0.000 | 0.860 | 0.284 | 0.007 | 0.060 |

² The Loss Factors listed in this Exhibit B are derived from the Settlement Ratios referred to in paragraph 13(ii) above that the Claims Administrator will be employing to calculate Recognized Claims. You must input the appropriate Loss Factor in the Exhibit A worksheet where indicated. Where a Loss Factor is zero, that means the Fund in question, for the year in question, actually experienced a *gain* or no loss as a result of alleged market-timing activities, and as a result a Claimant will have not a loss for that year in that fund. To avoid difficult calculations with small decimals, the Loss Factors have all been multiplied by an “Adjustment Factor” of 10,000. This is why, on the worksheet on Exhibit A, all annual loss numbers have to be divided by 10,000 to arrive at the claimant’s Total Loss for each Fund.

Exhibit C

This Exhibit provides a worksheet that you can use to translate your Recognized Claim into a per share amount. If you owned shares in more than one Class Fund, you should complete a separate worksheet for your holdings in each Class Fund.

To use the worksheet, you will use the information from Exhibit A. You should make copies of this worksheet so that you can estimate your Recognized Claim on a per share basis for each Class Fund in which you held shares during the Class Period. You will find step by step instructions for completing the worksheet below.

- (i) Complete a separate version of the table in Exhibit C for each Fund in which you owned shares by entering the yearly starting and ending number of shares held in the Fund in Row A and Row B, respectively
- (ii) Determine the Sum of Number of Shares by adding the entries in Row A and Row B for each column of the table in Exhibit C, and enter the total for each year in Row C, "Sum of Number of Shares."
- (iii) Determine the Average Number of Shares by dividing the entries in Row C by 2, and enter the total for each year in Row D, "Average Number of Shares."
- (iv) Next, find your Annual Losses, reflected in Row H from the chart in Exhibit A. Enter the amount for each year in Row E of the chart in Exhibit C, "Annual Losses."
- (v) Finally, divide the amount in Row E by the amount in Row D, and enter the amount in Row F. The amount reflected in Row F represents an estimation of your Annual Losses Per Share.

| | | <i>Estimation of Annual Losses Per Share</i> | | | | | |
|------------|---|--|------|------|------|------|------|
| | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| (A) | Starting Number of Shares (as of first day of year) ^[1] | - | - | - | - | - | - |
| (B) | Ending Number of Shares (as of last day of year) ^[2] | - | - | - | - | - | - |
| (C) | Sum of Number of Shares - Add Row (A) and Row (B) | - | - | - | - | - | - |
| (D) | Average Number of Shares - Divide Row (C) by 2 | - | - | - | - | - | - |
| (E) | Annual Losses - from Exhibit A Table, Row (H) | \$ | \$ | \$ | \$ | \$ | \$ |
| (F) | Annual Losses per Share - Divided Row (E) by Row (D) | \$ | \$ | \$ | \$ | \$ | \$ |

[1] If you own more than one class of shares in any Franklin Class Fund, sum the Number of Shares for the classes. Additionally, for "Starting Number of Shares," as of first day of 1999, use the number of shares held as of either February 6, 1999 or as of the quarter ended March 31, 1999.

[2] If you own more than one class of shares in any Franklin Class Fund, sum the Number of Shares for the classes. Additionally, for "Ending Number of Shares", as of the last day of 2004, use the number of shares held as of either February 4, 2004 or as of the quarter ended March 31, 2004.

The Plan of Allocation is a matter separate and apart from the proposed Settlements and the Stipulation, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlements or the Stipulation if approved by the Court. The Plan of Allocation may be modified in connection with, among other things, a ruling by the Court, or an objection filed by a Class Member, without further notice to the Class.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Funds based upon each Authorized Claimant's "Recognized Claim." If the sum total of Recognized Claims of all Authorized Claimants who are entitled to receive a payment out of the Net Settlement Funds exceeds or is less than the amount of the Net Settlement Funds, each such Authorized Claimant shall receive his, her, or its *pro rata* share of the Net Settlement Funds. The Recognized Claim formula is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Funds will be proportionately allocated to the Authorized Claimants. No distribution will be made where an Authorized Claimant's Recognized Claim is \$10.00 or less, or where an Authorized Claimant's *pro rata* share of the Net Settlement Funds is \$10.00 or less. In addition, if the Total Losses of an Authorized Claimant in any particular Class Fund is \$10 or less, that amount of Total Losses will not be included in the calculation of the Authorized Claimant's Recognized Claim.

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member. Each claimant is deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim may be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to the claimant's status as a Class Member and the validity and amount of the claimant's claim under the Plan of Allocation. No discovery shall be allowed on the merits of the Action.

Payments will be final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court will be barred from participating in distributions from the Net Settlement Funds, but otherwise shall be bound by all of the terms of the Settlements and the Stipulation, including the terms of the Final Order and Judgment to be entered in the Actions and will be barred from bringing any Released Claim against any of the Franklin Released Parties or any other person or entities released under the Settlement, including the Third Party Settling Defendants ("Released Persons"), including Unknown Claims (as those terms are defined in the Stipulation, which is available on the website at www.mutualfundsettlements.com/franklin, or through the mail upon request).

HOW YOU RECEIVE A PAYMENT

10. How Will I Receive a Payment?

If you are an Omnibus Sub-Account Holder, to qualify for a payment you must be an eligible Class Member and you must submit a Proof of Claim. A Proof of Claim is found at the end of this Notice. Read the instructions carefully, fill out the Proof of Claim, include all the documents requested, sign it, and mail it in an envelope postmarked no later than **December 12, 2011**. Please retain a copy of everything you mail, in case the materials are lost or destroyed during shipping.

If you are not an Omnibus Sub-Account Holder, you do not need to take any affirmative action to qualify for a payment. If you qualify as an Authorized Claimant under the Plan of Allocation who has met the minimum distribution threshold, you will receive a payment so long as you do not take the steps required to exclude yourself as a Class Member, as discussed further below.

11. When Will I Receive My Payment?

The Court will hold a hearing on October 25, 2011, to decide whether to approve the Settlements and the Stipulation. If the Court approves the Settlements and the Stipulation, there may be appeals. It is always uncertain whether appeals, if any, can be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process a substantial number of shareholder records to allocate the Net Settlement Funds among Authorized Claimants. The processing is complicated and will take many months. Please be patient.

12. What Am I Giving Up By Staying in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit concerning any claims of market-timing, late-trading, or short-term excessive trading in the Funds against the Franklin Released Parties, the Third Party Settling Defendants or their Related Parties (as that term is defined

in the stipulations entered into between the Class Lead Plaintiff and the Third Party Settling Defendants, which together, along with the Stipulation, are referred to as the “Stipulations”). It also means that all of the Court’s orders will apply to you and legally bind you, and you will release claims against the Third Party Settling Defendants and the Franklin Released Parties relating to market-timing or late-trading in the Funds. For further information regarding the releases, you may review the Proof of Claim and Release and other important case documents, including the Stipulation, available at the www.mutualfundsettlements.com/franklin website. However, you can only receive your share of the proceeds of the Net Settlement Funds if you remain a Class Member and do not seek exclusion. Regardless of whether you stay in the Class, if the settlements of the Derivative Action as against BAS and Canary are approved, those Franklin Funds that are the subject of the Derivative Action will release claims against BAS and Canary.

EXCLUDING YOURSELF FROM THE SETTLEMENTS AND THE STIPULATION

If you do not want a payment from the Settlements, but you want to keep the right to sue or continue to sue the Defendants on your own at your expense about the same claims being released in the Settlements and the Stipulation, then you must take steps to exclude yourself from the Settlements and the Stipulation. This is referred to as “opting out” of the Class.

13. How Do I Exclude Myself From the Settlements and the Stipulation?

To exclude yourself from the Settlements and the Stipulation relating to the Class Action, you must send a letter by mail stating that you want to be excluded from the Settlements and the Stipulation in the *In re Mutual Funds Investment Litigation – Franklin Templeton Sub-Track*, 1:04-MD-15862-JFM. You must include your name, address, telephone number, signature, and year-end account statements sufficient to show that you held shares in one or more of the Funds during the Class Period and the financial intermediary, if any, through which you held shares. If you held shares in the Funds through a financial intermediary, you must also state in your exclusion request that you authorize the financial intermediary to disclose records of your holdings to the Claims Administrator. You must mail your exclusion request so that it is received no later than **October 1, 2011** to:

In re Mutual Funds Investment Litigation – Franklin Templeton Sub-Track
c/o Rust Consulting, Inc.
Claims Administrator
P.O. Box 2480
Faribault, MN 55021-9180

Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.

You cannot exclude yourself over the phone or by e-mail. If you ask to be excluded from the Settlements and the Stipulation, you are not eligible to receive any payment from the Net Settlement Funds, and you cannot object to the Settlements, the Stipulation, or any aspect related to them. You will not be legally bound by anything that happens in this lawsuit and you will be able to pursue the claims that are being released in the Settlements and the Stipulation at your own expense.

Pursuant to separate supplemental and letter agreements, certain of the Defendants shall have the option to withdraw from the Settlements and/or the Stipulation in the event that putative Class Members whose aggregate holdings in the Funds during the Class Period exceed a certain value choose to exclude themselves from the Class.

14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?

No. Unless you exclude yourself, you give up any right to sue the Defendants or the Released Persons for the claims being released by these Settlements and the Stipulation. If you have a pending lawsuit relating to the claims being released in the Action against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is **October 1, 2011**.

15. If I Exclude Myself, Can I Receive a Payment from The Settlements?

No. But, you may sue, continue to sue, or be part of a different lawsuit asserting the claims being released in these Settlements or the Stipulation against the Defendants or the Released Persons. You will be able to pursue such claims at your own expense.

16. Do I Have a Lawyer in This Case?

The Court appointed the law firm of Wolf Popper LLP as lead class counsel to represent you and the other Class Members. These lawyers are called Investor Lead Counsel. You will not be individually charged for the services of these lawyers beyond your *pro rata* share of any attorneys' fees and expenses awarded by the Court that will be paid from the Gross Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense. You do not, however, need to retain a lawyer to exclude yourself from the Class or to object to the Settlements or the Stipulation.

17. How Will the Lawyers Be Paid?

Investor Lead Counsel, together with other plaintiffs' counsel in the Actions, and the Court-appointed Plaintiffs' Administrative Chair/Class Liaison Counsel, will jointly apply to the Court for attorneys' fees in no event to exceed 25% of the Class Benefit (\$4,437,368 plus the costs of distribution (including costs of notice and settlement administration) that the Franklin Defendants have agreed to pay, approximated at \$2.75 million, plus interest earned thereon) and for reimbursement of their expenses advanced in connection with the Action up to an amount of \$445,000, plus interest on both amounts at the same rate as earned by the Settlement Fund. The portion of fees sought by Derivative Counsel will come only from the amounts paid by Canary and BAS. In addition, Investor Lead Counsel are also asking the Court to award up to \$50,000 to the Lead Plaintiff in reimbursement of the reasonable costs of its time and expenses (including lost wages/employee time) directly relating to its prosecution of the Action on behalf of the Class, which included sitting for multiple depositions, responding to discovery requests and producing numerous documents. Such sums as may be approved by the Court will be paid from the Gross Settlement Fund, and potentially from the Franklin Contribution, as limited by the Stipulation. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payments to Investor Lead Counsel for their efforts in achieving these Settlements and the Stipulation and for their risk in undertaking this representation on a wholly contingent basis and advancing the money necessary to pursue the Action. To date, Investor Lead Counsel (and Derivative Counsel) have not been paid for their services, including Investor Lead Counsel's efforts on behalf of the Class, or for their substantial litigation expenses. The fee requested will compensate Investor Lead Counsel for their work in achieving the Settlements and the Stipulation (and Derivative Counsel, with respect to the partial settlement of the Derivative Action as against Canary and BAS only) and Lead Counsel believe that it is well within the range of fees awarded to counsel under similar circumstances in other cases of this type. The Court has discretion, however, to award less than this amount.

OBJECTING TO THE SETTLEMENTS AND THE STIPULATION

You can tell the Court that you do not agree with the Settlements, the Stipulation, or some part of them.

18. How Do I Tell the Court that I Do Not Like the Settlements and the Stipulation?

If you are a Class Member, you can object to the Settlements and the Stipulation if you do not like any part of them. To object, you must send a letter saying that you object to the Settlements and the Stipulation in the *In re Mutual Funds Investment Litigation – Franklin Templeton Sub-Track*, 1:04-MD-15862-JFM, and the reasons why you object to them. Be sure to include your name, address, telephone number and signature. You must also include year-end account statements sufficient to show that you held shares in one or more of the Funds during the Class Period and the financial intermediary, if any, through which you held shares. If you held shares in the Funds through a financial intermediary, you must also state in your objection that you authorize the financial intermediary to disclose records of your holdings to the Claims Administrator. Objections to the partial settlements of the Derivative Action with Canary and BAS by any holder of the Franklin Funds must also include information concerning the objector's current ownership of shares in the Class Funds, and, if you held shares through a financial intermediary, authorize that financial intermediary to disclose your Franklin Fund holdings to the Claims Administrator. Any objection to the Settlements and the Stipulation must be received by *each of the following* by **October 1, 2011**:

| COURT | LEAD COUNSEL |
|--|--|
| Clerk of the Court United States District Court District of Maryland 101 W. Lombard Street Baltimore, MD 21201 | <u>Investor Lead Counsel:</u> Chet B. Waldman, Esq. Andrew E. Lencyk, Esq. WOLF POPPER LLP 845 Third Avenue New York, NY 10022 |

Anyone who objects to the Settlements or the Stipulation may be subject to a deposition prior to the Settlement Hearing and may be required to provide a list of other objections, if any, by that objector to any class action settlements submitted in any court, whether state, federal or otherwise, in the United States in the previous five (5) years.

19. What is the Difference Between Objecting and Excluding?

Objecting means telling the Court that you do not like something about the Settlements, the Stipulation, the Plan of Allocation, or the application for attorneys' fees and litigation expenses, and want the Court to disapprove the Settlements and the Stipulation or modify them in some way. You can object *only if* you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Settlements and the Stipulation. If you exclude yourself, you have no basis to object because the case no longer affects you. If you are a holder of the Franklin Funds, you can object to the partial settlement of the Derivative Action with Canary and BAS, but there is no right to opt out in a derivative action.

THE COURT'S SETTLEMENT FAIRNESS HEARING

20. When and Where Will the Court Decide Whether to Approve the Settlements and the Stipulation?

The Court will hold a fairness hearing at 3:30 p.m., on October 25, 2011, at the United States District Court for the District of Maryland, 101 W. Lombard Street, Baltimore, MD 21201, Courtroom (the "Settlement Hearing"). At this hearing, the Court will consider whether the Settlements, the Stipulation, and the Plan of Allocation are fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by **October 1, 2011** to speak at the Settlement Hearing. The Court may also consider Lead Counsel's application for attorneys' fees and reimbursement of expenses, and the Plaintiff's Award.

21. Do I Have to Come to the Settlement Hearing?

No. Lead Counsel will answer any questions Judge Motz may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection so that it is received on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not required.

22. May I Speak at the Settlement Hearing?

Yes, but you must first ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter stating your intention to appear in the *In re Mutual Funds Investment Litigation – Franklin Templeton Sub-Track*, 1:04-MD-15862-JFM. Be sure to include your name, address, telephone number, signature, and year-end account statements sufficient to show that you held shares in one or more of the Funds during the Class Period and the financial intermediary, if any, through which you held shares. Your notice of intention to appear must be received no later than **October 1, 2011**, and be sent to the Clerk of the Court and Investor Lead Counsel, at the addresses listed in the answer to Question 18. You cannot speak at the Settlement Hearing if you exclude yourself from the Settlement.

IF YOU DO NOTHING

23. What Happens if I Do Nothing at All?

If you do nothing, you may or may not receive money from the Settlements but in either case you will be bound by their terms and the terms of the Stipulation. Unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants or the Released Persons about the same claims being released in the Settlements and the Stipulation.

OBTAINING MORE INFORMATION

24. Are There More Details About the Settlements and the Stipulation?

This Notice summarizes the proposed Settlements and the Stipulation. More details can be found in the Stipulations dated March 14, 2011, January 15, 2010, January 26, 2010, and May 17, 2011, respectively, and any amendments thereto. All terms used in this Notice shall have the same meanings as in the Stipulations. You can obtain copies of the Stipulations and amendments to the Stipulations or more information about the Settlements or the Stipulation by visiting www.mutualfundsettlements.com/franklin or by writing to Lead Counsel as listed above on page 4. You can also obtain copies of the Stipulations and any amendments to the Stipulations, or other papers filed in the Action, from the Clerk's office at the United States District Court for the District of Maryland, 101 W. Lombard Street, Baltimore, MD 21201, during regular business hours.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

25. SPECIAL NOTICE TO NOMINEES

If you held or purchased shares in any of the Class Funds listed above during the period from February 6, 1999 through February 4, 2004, inclusive as nominee for a beneficial owner, then within ten (10) days after you are notified, in writing or otherwise, of the Settlements and the Stipulation, you must either: (1) send a copy of the postcard notice provided to you by the Claims Administrator by first class mail to all such beneficial owners; or (2) provide a list of the names and addresses of such beneficial owners to the Claims Administrator:

In re Mutual Funds Investment Litigation – Franklin Templeton Sub-Track
c/o Rust Consulting, Inc.
Claims Administrator
P.O. Box 2480
Faribault, MN 55021-9180

If you choose to mail the postcard notice yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of such notices as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for reasonable administrative costs actually incurred in connection with forwarding the postcard notice and which would not have been incurred but for the obligation to forward that notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: June 9, 2011

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND