ACT ICA
SECTION 15(a)
RULE
PUBLIC AVAILABILITY 7/23/97

JUL 23 1997

Our Ref. No. 97-240
Franklin Templeton
Group of Funds
File Nos. 811-730, et al.

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Your letter of July 16, 1997 requests our assurance that the staff will not recommend enforcement action to the Commission under Section 15(a) of the Investment Company Act of 1940 if certain funds (the "Funds") advised by Franklin Advisers, Inc., Franklin Advisory Services, Inc., Franklin Investment Advisory Services, Inc., Templeton Asset Management Ltd., Templeton Global Advisors Limited, or Franklin Mutual Advisers, Inc. (the "Advisers") amend their investment management agreements without shareholder approval to remove certain fund administration responsibilities and transfer them to separate fund administration agreements with one or more affiliated administrators ("Administrators"), as described below.

Facts

Under existing investment management agreements, the Advisers are responsible for providing both investment advisory and certain administration services to the Funds. In most cases, a Fund's Adviser provides both types of services directly, but for some Funds the Adviser delegates the performance of administration services to an Administrator pursuant to a sub-administration agreement. For providing advisory and administration services, a Fund's Adviser receives a single management fee, payable monthly, based on a percentage of the Fund's average daily net assets.

You propose that each Fund enter into a new agreement with its current Adviser substantially identical to the existing management agreement except that the new agreement ("Advisory Agreement") would not require the Adviser to provide administration services. At or about the same time, the Fund would enter into an agreement ("Administration Agreement") directly with an Administrator to provide the administration services for which the Adviser formerly was responsible. 1/

Although the contractual relationships will be adjusted so that a different entity will be responsible for providing fund administration services, you represent that the individuals performing those services will remain the same. You state that the proposed arrangement is intended to more clearly delineate

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1/ For a Fund whose Adviser currently delegates the provision of administration services to an Administrator, the sub-administration agreement would be terminated.

the nature of payments made by the Funds for various services and may result in tax advantages and operational efficiencies for the Advisers.

You represent that each Fund will determine the portion of the existing investment management fee, calculated as a percentage of assets under management, attributable to administration services. This amount will be the fee initially payable to the Administrator under the Fund's new Administration Agreement. The Advisory Agreement will provide for advisory fees equal to the total management fee assessed under the existing investment management agreement, reduced by the fee payable under the Administration Agreement. As a result, the combined fees payable by a Fund under the proposed Advisory and Administration Agreements (the "New Agreements") will not exceed the fee payable under its existing management agreement.

You represent that the New Agreements will be approved by the board of directors or trustees of each Fund, including a majority of directors or trustees who are not parties to the New Agreements or interested persons of a party. Each Fund will provide written notice of the New Agreements to its existing shareholders no later than the mailing of the Fund's next periodic (annual or semi-annual) report, and will include this notice in any prospectus delivered to prospective shareholders, until such time as the prospectus is amended to reflect the existence of the New Agreements. 2/ For the reasons discussed below, you believe that shareholder approval of the new Agreements is not required.

Analysis

Section 15(a) of the Investment Company Act provides generally that no person may serve as an investment adviser to a registered fund except pursuant to a written contract that, among other things, has been approved by the vote of a majority of the fund's outstanding voting securities. 3/ Any material change in an advisory agreement creates a new contract that must be approved in accordance with Section 15(a).

You maintain that shareholder approval of a Fund's Advisory Agreement is unnecessary and would impose a significant expense

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2/ Telephone conversation of July 23, 1997 between Sarah A. Wagman and Michael P. O'Hare, counsel to the Advisers.

3/ Section 15(a) does not apply to agreements for the provision of non-advisory services. See, e.g., Washington Mutual Investors Fund, Inc. (pub. avail. May 14, 1993). Shareholder approval of the Administration Agreements therefore is not required.

on Fund shareholders, while serving no useful purpose. 4/ You state that structuring each Advisory Agreement so that total management fees will be reduced by the exact amount of fees payable by a Fund under its Administration Agreement will ensure that the total advisory and administration services fees payable by a Fund may not be increased without amending the Advisory Agreement, which would require shareholder approval. You represent that the proposed restructuring of the existing investment management agreements into separate Advisory and Administration Agreements will not result in any decrease in the nature or level of the advisory or administration services provided to the Funds. 5/ In addition, you assert that, because the same Franklin Templeton personnel will provide the same administration services to the Funds as they currently provide under the existing management agreements, the New Agreements represent only a contractual change in the entity providing fund administration services, and will not result in substantive changes to the administration services provided to the Funds.

On the basis of the facts and representations set forth in your letter, we would not recommend enforcement action to the Commission under Section 15(a) if the Funds' existing investment management agreements are amended without shareholder approval, as described in your letter. Our position is based particularly on your representations that the proposed changes would not reduce or modify in any way the nature or level of advisory or administration services provided to a Fund, and that the total advisory and administration services fees payable by a Fund under the New Agreements would not exceed the fees payable by the Fund

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4/ You assert that shareholder approval of each Advisory Agreement is unnecessary because the amendments relate to the provision of administration services, rather than advisory services. We acknowledge that, if each of the existing investment management agreements had been structured instead as two separate agreements -- an administration agreement and an advisory agreement-- it would not be necessary to obtain shareholder approval to amend the administration agreement. This argument alone, however, does not support the conclusion that a shareholder vote is not required in this case. See American Odyssey Funds, Inc. (pub. avail. Oct. 7, 1996) at n.4.

5/ We note that any future material amendment to a Fund's Advisory Agreement, including any amendment to increase total advisory and administration services fees paid by a Fund, or to modify the nature or level of services provided to a Fund, would require approval by the Fund's shareholders in accordance with Section 15(a).

under its existing investment management agreement. 6/ You should note that any different facts or circumstances might require a different conclusion.

Sarah A. Wagman
Attorney

6/ See American Odyssey Funds, Inc., supra note 4; Washington Mutual Investors Fund, Inc., supra note 3; Limited Term Municipal Fund, Inc. (pub. avail. Nov. 17, 1992).

STRADLEY RONON STEVENS & YOUNG, LLP
ATTORNEYS

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July 16, 1997 1940 Act/15(a)

Office of Chief Counsel
Division of Investment Management
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Franklin Templeton Group of Funds

Ladies and Gentleman,

On behalf of the following investment advisers registered under the Investment Advisers Act of 1940: Franklin Advisers, Inc.; Franklin Advisory Services, Inc.; Franklin Investment Advisory Services, Inc.; Templeton Asset Management Ltd., Templeton Global Advisors Limited and Franklin Mutual Advisers, Inc. (each an "Adviser" and collectively, the "Advisers"); as well as the 60 registered investment companies (including their 167 separate series) within the Franklin Templeton Group of Funds for which one of the Advisers serves as investment adviser (collectively, the "Funds"),[1] we hereby request confirmation by the staff of the Division of Investment Management that it would not recommend enforcement action under section 15(a) of the Investment Company Act of 1940, as amended (the "1940 Act"), if, at the request of the Advisers, the existing investment management agreements for the Funds (the "Existing Management Agreements") are amended without

[1]Exhibit A to this letter contains a complete listing of each of the registered investment companies (and series thereof) within the Franklin Templeton Group of Funds for which one of the Advisers serves as investment adviser. The Franklin Templeton Group of Funds is made up of the registered investment companies within both the Franklin Group of Funds® and the Templeton Group.

obtaining shareholder approval, to remove certain fund administration responsibilities of the Advisers from the Existing Management Agreements. Under the proposed arrangements, the Advisers would continue to provide investment advisory services under amended versions of the Existing Management Agreements (each, a "Proposed Advisory Agreement," and collectively, the "Proposed Advisory Agreements"), and the fund administration services previously provided by the Advisers would be performed by a separate company, or companies, affiliated with the Advisers (the "Fund Administrator"), under separate fund administration agreements (each, a "Proposed Administration Agreement," and collectively, the "Proposed Administration Agreements").

Although the proposed arrangements involve changes in the entities that will provide Fund administration services to the Funds, the Franklin Templeton personnel performing such services will remain the same. Furthermore, the proposed changes will not result in any increase in the amount of fees paid by any Fund for investment advisory or administration services, nor any decrease in the nature or quality of the investment advisory or administration services received by any Fund. For the reasons outlined below, we do not believe that shareholder approval of the terms of each Proposed Advisory or Administration Agreement is required under section 15(a) of the 1940 Act, because the amendments relate solely to the fund administration, and not the investment advisory, aspects of such agreements.

Background

Under the Existing Management Agreements, the Advisers are responsible for providing both investment advisory and certain fund administration services to the Funds. In the case of most of the Funds, the Adviser and its employees directly provide all of the services called for under the Existing Management Agreements. For other Funds, the performance of fund administration services required by the Existing Management Agreements is delegated by the Adviser to an affiliated company pursuant to a sub-administration agreement.[2]

Fund management believes that the fund administration services described in and required to be performed under the Existing Management Agreements should, from a contractual standpoint, be provided by the Fund Administrator, whose exclusive business would involve the provision of fund administration services to the Funds. The proposed arrangements are expected to more clearly delineate the nature of payments by the Funds for

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[2]In a number of cases, fund administration services are currently provided to Funds pursuant to business management agreements directly between the registrant and an affiliated company. Funds with such arrangements are not the subject of this request.

various services and may result in tax advantages and operational efficiencies for the Advisers. Therefore, Fund management proposes to recommend to the Boards of Directors or Trustees of each registrant that the Existing Management Agreements be amended to remove references to the provision of fund administration services, and to recommend that the Boards approve the Proposed Administration Agreements directly between the registrants, on behalf of the Funds, and the Fund Administrator to provide for the furnishing of fund administration services.[3] As a result of the proposed arrangements, the Advisers will no longer themselves provide fund administration services and there will be no need for the Advisers to delegate fund administration responsibilities through sub-administration arrangements. Any such existing sub-administration agreements will be terminated.

A. Existing Agreements

The Existing Management Agreements are each substantially identical to each other with respect to the provision of investment advisory and fund administration services relevant to this request, but vary in other respects such as fee rates and their effective and termination dates. The investment advisory services called for under the Existing Management Agreements include the management of the investment and reinvestment of each Fund's assets subject to the supervision of Fund management, the placing of orders for the purchase and sale of each Fund's portfolio securities, the selection of brokers and dealers to effect portfolio transactions and the provision of regular reports regarding its activities to Fund management as appropriate. With respect to fund administration services, the Existing Management Agreements require the Advisers to furnish office space, furnishings, facilities and equipment reasonably required to manage the Funds' businesses. Under the Existing Management Agreements, the Advisers also provide internal bookkeeping, accounting and auditing services and maintain records in connection with the Funds' investment and business activities. The Advisers are also required to employ or compensate the executive, secretarial and clerical personnel necessary to provide such services.

The Advisers currently receive monthly fees for performing the investment advisory and fund administration services called for under the Existing Management Agreements, which are calculated based on a percentage of the average daily net assets of each Fund on an annualized basis. The fee rates vary with respect to the particular Funds, and many of the fee rates contain breakpoints resulting in reduced fee rates at higher asset levels.

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[3]Forms of the Existing Management Agreement, the Proposed Advisory Agreement and the Proposed Administration Agreement are included with this request as Exhibits B, C and D, respectively.

B. Proposed Agreements

Under the proposed arrangements, each Fund will make a determination as to what portion of the current total fees are attributable to advisory services and what portion are attributable to fund administration services. The fee structure of the Proposed Advisory and Administration Agreements will reflect the determined split of advisory and administration fees which, taken together, will equal the amount of the current total fees. The Proposed Advisory and Administration Agreements would each be approved by a majority of the directors or trustees of the registrant who are not parties to such agreements or interested persons of any such parties.

The Proposed Advisory and Administration Agreements will also be structured so that the total combined fees may not be increased without approval of the shareholders of the relevant Funds. Each Proposed Advisory Agreement will contain contractual fee rates identical to the current rates contained in the corresponding Existing Management Agreement, except that each Proposed Advisory Agreement will provide that the advisory fee shall be reduced by the exact amount of fees payable by the particular Fund under its Proposed Administration Agreement. This arrangement will allow flexibility for the Funds to maintain standardized administration fee structures within the fund complex, and to adjust such fee structures, if appropriate, without increasing the overall combined advisory and administrative fees for any Fund. Any change in the total amount of the combined fees will require approval by shareholders of an amendment to the Proposed Advisory Agreement.

The advisory and administration services to be provided under the new agreements will be at least identical to the services currently being provided, and the nature and quality of such services shall not be reduced without shareholder approval of such a change. Although the contractual relationships will be adjusted so that a different entity is responsible for fund administration services, the changes will not result in substantive differences for the Funds because the Franklin Templeton personnel presently performing such services for the Advisers will continue to provide the same services for the Fund Administrator.

For the reasons described below, we believe that the registrants and Advisers should be permitted to amend and split up the Existing Management Agreements as proposed, without obtaining the approval of the shareholders of each Fund. The Funds are generally not required to hold shareholder meetings, and a requirement to obtain shareholder approval under these circumstances would serve no useful purpose and would involve a significant, needless expense. Each Fund would, however, provide written notice of the new arrangements to its existing shareholders no later than the mailing of its next periodic (annual or semi-annual) shareholder report.

Furthermore, we believe that our position is consistent with previous statements of policy and positions taken by the U.S. Securities and Exchange Commission (the "Commission") and its staff. Such precedent supports the position that there is no need for shareholder approval of fund administration arrangements and suggests that there should be no need for shareholders to approve the proposed amendments to the Existing Management Agreements under section 15(a) of the 1940 Act.

Discussion

Section 15(a) of the 1940 Act provides generally that no person may serve as an investment adviser to a registered investment company except pursuant to a written contract that, among other things, has been approved by the vote of a majority of the company's outstanding securities. The purpose of Section 15(a) is to protect fund shareholders against conflicts of interest or overreaching or otherwise detrimental investment advisory arrangements, by allowing shareholders the opportunity to approve the terms of investment advisory agreements. Generally, any material change in an investment advisory contract creates a new contract that must be approved by shareholders in accordance with Section 15(a). Each of the Existing Management Agreements has been approved by shareholders of the relevant Fund either initially or subsequently as such agreements were changed in any material manner.

The Commission and its staff have indicated that arrangements or agreements with investment companies for the provision of administration or other similar non-advisory services, are not the type of service arrangements or agreements requiring shareholder approval under section 15(a) or any other section of the 1940 Act.[4] However, the fund administration services in question comprise a portion of the Existing Management Agreements which, as a practical matter, normally are subject to the shareholder approval requirements under section 15(a) of the 1940 Act. With respect to administration services contained in advisory agreements, the Commission has stated that:

> the provisions of investment advisory contracts subject to Section 15 . . . include only those which directly provide for investment advice, portfolio management, and correlative matters such as the compensation for or duration and termination of investment advisory agreements and the execution of portfolio transactions. Other provisions of such contracts, which deal with

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[4] See Washington Mutual Investors Fund, Inc., SEC No-Action Letter (publicly available May 14, 1993)(staff declined to respond to no-action request under section 15(a) involving a proposed fee reduction of an administrative agreement, stating that section 15(a) does not require shareholder approval of such agreements).

> housekeeping functions for the investment company, such as transfer agent services or other non-investment advisory matters are not included within the ambit of Section 15 . . ..[5]

In addition to the Commission and staff positions described above regarding the lack of a requirement of shareholder approval of administration arrangements, the Commission and its staff have issued a number of exemptive orders and no-action letters interpreting section 15(a) which allow investment companies to amend investment advisory agreements without obtaining shareholder approval in number of relevant circumstances which we believe support our assertion that the proposed amendments to the Existing Management Agreements should not require shareholder approval. The circumstances under which such relief was provided generally involved situations where shareholders would not be disadvantaged by the changes, and a shareholder approval requirement would serve no useful purpose and involve unnecessary costs.

Initially, funds which sought to establish breakpoints for reductions in advisory fees at higher asset levels received assurance that their advisory agreements could be amended to establish such breakpoints, pending later shareholder approval of the amended agreements at upcoming regular or annual shareholder meetings.[6] In later no-action correspondence, the Commission staff agreed to allow amendments to advisory agreements to reduce advisory fees by establishing breakpoints without ever obtaining shareholder approval of the terms of the amended agreements.[7] The staff position in these later letters was based on the fact that the investment advisers for the funds would not reduce the quantity or quality of the services provided to the funds and that it was proper to assume, without requiring any

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[5] Notice of Proposal to Amend Rule 17d-1 under the Investment Company Act of 1940 to Provide an Exemption from the Rule for Affiliated Persons with Respect to Certain Service Agreements with Investment Companies, Investment Company Act Release No. 8245 [1973-1974 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 79,667 (Feb. 25, 1974).

[6] See USAA Mutual Fund, Inc., SEC No-Action Letter (publicly available January 30, 1990); Lord, Abbett & Company, SEC No-Action Letter [1977-1978 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶81,261 (May 16, 1977); In the matter of Wellington Fund, Inc. and Wellington Corporation, Investment Company Act Release No. 1455 (December 15, 1965); In the matter of Viking Growth Fund, Inc., Investment Company Act Release No. 4442 (December 15, 1965).

[7] See Washington Mutual Investors Fund, Inc., SEC No-Action Letter (publicly available May 14, 1993); Limited Term Municipal Fund, Inc., SEC No-Action Letter (publicly available November 18, 1992).

shareholder vote, that a majority of the shareholders of such funds would approve a fee reduction. The staff also recognized in the letters that a requirement of a shareholder meeting to approve such amendments would involve needless expenses.

Most recently, the staff allowed amendments to an advisory agreement without shareholder approval under Section 15(a) in the context of a mutual fund restructuring. In the Principal Preservation Portfolios, Inc. and Prospect Hill Trust no-action letter (publicly available January 11, 1996), three separate money market funds involved in a master feeder arrangement were reorganized into a single fund with two classes. At the time of the no-action request, the assets of two separate feeder funds were invested in a single master fund and the adviser managed the assets at the master fund level pursuant to an advisory agreement with the master fund. Under the restructuring, the assets of the two feeder funds were invested in two separate classes of one of the feeder funds, and the master fund as well as the other feeder fund went out of existence. Thereafter, the adviser continued to manage the same assets in the same manner under identical contract terms except that the identity of the investment company that was a party to the advisory agreement changed from the master fund to the surviving feeder fund.

The Commission staff took a no-action position under Section 15(a), allowing the parties to proceed with the restructuring without obtaining shareholder approval of the amended advisory agreement. The staff reasoned that shareholder approval of the amended advisory agreement should not be required under Section 15(a) where the terms of the original and amended agreements were "identical with respect to the identity of the adviser and advisory personnel, the management services to be provided, the assets to be managed and the rate of compensation to be paid."

Conclusion

The precedent described above clearly supports the proposition that an advisory contract may be amended without shareholder approval to reduce advisory fees where there is no other change in the nature and quality of the services provided. The Principal Preservation no-action letter further demonstrates the staff's willingness to allow other types of amendments to advisory contracts without shareholder approval; namely for restructurings or under other circumstances when the advisory services and fees associated with such services remain the same, and the proposed amendments are beneficial to shareholders. The conversion of the Existing Management Agreements into the Proposed Advisory and Administration Agreements will not involve any change in the Advisers, their personnel, or the investment advisory services provided to the Funds; or any change in the nature or quality of administration services provided to the Funds. In addition, unless shareholders of a Fund approve an amendment to its Proposed Advisory Agreement, once adopted, the total combined fees payable under the Proposed Advisory and Administration

Agreements will never exceed the amounts that would be payable under the corresponding Existing Management Agreement.

For the reasons outlined above, we hereby request that the staff of the Division of Investment Management confirm that it would not recommend enforcement action under section 15(a) of the 1940 Act, if the Existing Management Agreements are amended, as proposed, without obtaining shareholder approval of the amendments. If you have any questions regarding this request, please contact me at (215) 564-8198 or, in my absence, Bruce G. Leto, Esquire at (215) 564-8115.

Very truly yours,

Michael P. O'Hare

Michael P. O'Hare

cc: Deborah R. Gatzek, Esquire
Mark H. Plafker, Esquire
Bruce G. Leto, Esquire

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EXHIBIT A

FRANKLIN TEMPLETON GROUP OF FUNDS

LIST OF FUNDS (AND SERIES)

Franklin Gold Fund
Franklin Asset Allocation Fund
Franklin Equity Fund
Franklin High Income Trust
AGE High Income Fund
Franklin Custodian Funds, Inc.
Growth Series
Utilities Series
Dynatech Series
Income Series
U.S. Government Securities Series
Franklin Money Fund
Franklin Templeton Money Fund Trust
Franklin Templeton Money Fund II
Franklin California Tax-Free Income Fund, Inc.
Franklin Federal Money Fund
Franklin Tax-Exempt Money Fund
Franklin New York Tax-Free Income Fund
Franklin Federal Tax-Free Income Fund
Franklin Tax-Free Trust
Franklin Alabama Tax-Free Income Fund
Franklin Arizona Insured Tax-Free Income Fund
Franklin Arizona Tax-Free Income Fund
Franklin Colorado Tax-Free Income Fund
Franklin Connecticut Tax-Free Income
Franklin Florida Tax-Free Income Fund
Franklin Florida Insured Tax-Free Income Fund
Franklin Georgia Tax-Free Income Fund
Franklin Indiana Tax-Free Income Fund
Franklin Kentucky Tax-Free Income Fund
Franklin Louisiana Tax-Free Income Fund
Franklin Maryland Tax-Free Income Fund
Franklin Massachusetts Insured Tax-Free Income Fund
Franklin Michigan Tax-Free Income Fund
Franklin Michigan Insured Tax-Free Income Fund
Franklin Minnesota Insured Tax-Free Income Fund
Franklin Missouri Tax-Free Income Fund
Franklin New Jersey Tax-Free Income Fund

Franklin North Carolina Tax-Free Income Fund
Franklin Ohio Insured Tax-Free Income Fund
Franklin Oregon Tax-Free Income Fund
Franklin Pennsylvania Tax-Free Income Fund
Franklin Puerto Rico Tax-Free Income Fund
Franklin Texas Tax-Free Income Fund
Franklin Virginia Tax-Free Income Fund
Franklin Federal Intermediate-Term Tax-Free Income Fund
Franklin High Yield Tax-Free Income Fund
Franklin Insured Tax-Free Income Fund

Franklin California Tax-Free Trust

Franklin California Insured Tax-Free Income Fund
Franklin California Tax-Exempt Money Fund
Franklin California Intermediate-Term Tax-Free Income Fund

Franklin New York Tax-Free Trust

Franklin New York Tax-Exempt Money Fund
Franklin New York Insured Tax-Free Income Fund
Franklin New York Intermediate-Term Tax-Free Income Fund

Franklin Investors Securities Trust

Franklin Global Government Income Fund
Franklin Short-Intermediate U.S. Government Securities Fund
Franklin Convertible Securities Fund
Franklin Adjustable U.S. Government Securities Fund
Franklin Equity Income Fund
Franklin Adjustable Rate Securities Fund

Institutional Fiduciary Trust

Money Market Portfolio
Franklin U.S. Government Securities Money Market Portfolio
Franklin U.S. Treasury Money Market Portfolio
Franklin Institutional Adjustable U.S. Government Securities Fund
Franklin Institutional Adjustable Rate Securities Fund
Franklin U.S. Government Agency Money Market Fund
Franklin Cash Reserves Fund

Franklin Value Investors Trust

Franklin Balance Sheet Investment Fund
Franklin MicroCap Value Fund
Franklin Value Fund

Franklin Strategic Mortgage Portfolio

Franklin Municipal Securities Trust

Franklin Hawaii Municipal Bond Fund
Franklin California High Yield Municipal Fund
Franklin Washington Municipal Bond Fund
Franklin Tennessee Municipal Bond Fund
Franklin Arkansas Municipal Bond Fund

Franklin Managed Trust
- Franklin Corporate Qualified Dividend Fund
- Franklin Rising Dividends Funds
- Franklin Investment Grade Income Fund

Franklin Strategic Series
- Franklin California Growth Fund
- Franklin Biotechnology discovery Fund
- Franklin Strategic Income Fund
- Franklin MidCap Securities Fund
- Franklin MidCap Growth Fund
- Franklin Global Utilities Fund
- Franklin Small Cap Growth Fund
- Franklin Global Health Care Fund
- Franklin Natural Resources Fund
- Franklin Blue Chip Fund

Adjustable Rate Securities Portfolios
- U.S. Government Adjustable Mortgage Portfolio
- Adjustable Rate Securities Portfolio

The Money Market Portfolios
- The Money Market Portfolio
- The U.S. Government Securities Money Market Portfolio

MidCap Growth Portfolio

The Portfolios Trust
- The Rising Dividends Portfolio

Franklin Templeton International Trust
- Templeton Pacific Growth Fund
- Templeton Foreign Smaller Companies Fund

Franklin Real Estate Securities Trust
- Franklin Real Estate Securities Fund

Franklin Templeton Global Trust
- Franklin Templeton German Government Bond Fund
- Franklin Templeton Global Currency Fund
- Franklin Templeton Hard Currency Fund
- Franklin Templeton High Income Currency Fund

Franklin Valuemark Funds
- Money Market Fund
- Growth and Income Fund
- Natural Resources Securities Fund
- Real Estate Securities Fund
- Utility Equity Fund
- High Income Fund
- Templeton Global Income Securities Fund
- Income Securities Fund
- Mutual Discovery Securities Fund

Mutual Shares Securities Fund
U.S. Government Securities Fund
Zero Coupon Fund - 2000
Zero Coupon Fund - 2005
Zero Coupon Fund - 2010
Rising Dividends Fund
Templeton Pacific Growth Fund
Templeton International Equity Fund
Templeton Developing Markets Equity Fund
Templeton Global Growth Fund
Templeton Global Asset Allocation Fund
Small Cap Fund
Capital Growth Fund
Templeton International Smaller Companies Fund
Natural Resources Fund

Franklin Government Securities Trust

Franklin Universal Trust

Franklin Principal Maturity Trust

Franklin Multi-Income Trust

Franklin Mutual Series Fund Inc.

Mutual Shares Fund
Mutual Qualified Fund
Mutual Beacon Fund
Mutual European Fund
Mutual Discovery Fund
Mutual Financial Services Fund

Franklin Templeton Fund Allocator Series

Franklin Templeton Conservative Target Fund
Franklin Templeton Moderate Target Fund
Franklin Templeton Growth Target Fund

Templeton Growth Fund, Inc.

Templeton Funds, Inc.

Templeton World Fund
Templeton Foreign Fund

Templeton Global Smaller Companies Fund, Inc.

Templeton Income Trust

Templeton Global Bond Fund

Templeton Global Real Estate Fund

Templeton Capital Accumulator Fund, Inc.

Templeton Capital Accumulation Plans

Templeton Global Opportunities Trust

Templeton American Trust, Inc.

Templeton Institutional Funds, Inc.

Foreign Equity Series

Growth Series
Emerging Markets Series
Emerging Fixed Income Market Series

Templeton Developing Markets Trust

Templeton Global Investment Trust

Templeton Growth and Income Fund
Templeton Global Infrastructure Fund
Templeton Americas Government Securities Fund
Templeton Greater European Fund
Templeton Latin America Fund

Franklin Templeton Japan Fund

Templeton Emerging Markets Fund, Inc.

Templeton Global Income Fund, Inc.

Templeton Global Governments Income Trust

Templeton Emerging Markets Income Fund, Inc.

Templeton China World Fund, Inc.

Templeton Emerging Markets Appreciation Fund, Inc.

Templeton Dragon Fund, Inc.

Templeton Vietnam Opportunities Fund, Inc.

Templeton Russia Fund, Inc.

Templeton Variable Products Series Fund

Templeton Money Market Fund
Templeton Bond Fund
Templeton Stock Fund
Templeton Asset Allocation Fund
Templeton International Fund
Templeton Developing Markets Fund
Franklin Growth Investments Fund
Mutual Discovery Investments Fund
Mutual Shares Investments Fund

Templeton Variable Annuity Fund

EXHIBIT B

FORM OF EXISTING MANAGEMENT AGREEMENT

[NAME OF TRUST]
on behalf of
[NAME OF FUND -- SINGLE SERIES ONLY]

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT made between [NAME OF TRUST], a [Delaware] business trust (the "Trust"), on behalf of [NAME OF FUND] (the "Fund"), a series of the Trust, and FRANKLIN ADVISERS, INC., a California corporation, (the "Manager").

WHEREAS, the Trust has been organized and intends to operate as an investment company registered under the Investment Company Act of 1940 (the "1940 Act") for the purpose of investing and reinvesting its assets in securities, as set forth in its Agreement and Declaration of Trust, its By-Laws and its Registration Statements under the 1940 Act and the Securities Act of 1933, all as heretofore and hereafter amended and supplemented; and the Trust desires to avail itself of the services, information, advice, assistance and facilities of an investment manager and to have an investment manager perform various management, statistical, research, investment advisory and other services for the Fund; and,

WHEREAS, the Manager is registered as an investment adviser under the Investment Advisers Act of 1940, is engaged in the business of rendering management, investment advisory, counseling and supervisory services to investment companies and other investment counseling clients, and desires to provide these services to the Fund.

NOW THEREFORE, in consideration of the terms and conditions hereinafter set forth, it is mutually agreed as follows:

1. Employment of the Manager. The Trust hereby employs the Manager to manage the investment and reinvestment of the Fund's assets and to administer its affairs, subject to the direction of the Board of Trustees and the officers of the Trust, for the period and on the terms hereinafter set forth. The Manager hereby accepts such employment and agrees during such period to render the services and to assume the obligations herein set forth for the compensation herein provided. The Manager shall for all purposes herein be deemed to be an independent contractor and shall, except as expressly provided or authorized (whether herein or otherwise), have no authority to act for or represent the Fund or the Trust in any way or otherwise be deemed an agent of the Fund or the Trust.

2. Obligations of and Services to be Provided by the Manager. The Manager undertakes to provide the services hereinafter set forth and to assume the following obligations:

A. Administrative Services. The Manager shall furnish to the Fund adequate (i) office space, which may be space within the offices of the Manager or in such other place as may be agreed upon from time to time, (ii) office furnishings, facilities and equipment as may be reasonably required for managing the affairs and conducting the business of the Fund, including conducting correspondence and other communications with the shareholders of the Fund, maintaining all internal bookkeeping, accounting and auditing services and records in connection with the Fund's investment and business activities. The Manager shall employ or provide and compensate the executive, secretarial and clerical personnel necessary to provide such services. The Manager shall also compensate all officers and employees of the Trust who are officers or employees of the Manager or its affiliates.

B. Investment Management Services.

(a) The Manager shall manage the Fund's assets subject to and in accordance with the investment objectives and policies of the Fund and any directions which the Trust's Board of Trustees may issue from time to time. In pursuance of the foregoing, the Manager shall make all determinations with respect to the investment of the Fund's assets and the purchase and sale of its investment securities, and shall take such steps as may be necessary to implement the same. Such determinations and services shall include determining the manner in which any voting rights, rights to consent to corporate action and any other rights pertaining to the Fund's investment securities shall be exercised. The Manager shall render or cause to be rendered regular reports to the Trust, at regular meetings of its Board of Trustees and at such other times as may be reasonably requested by the Trust's Board of Trustees, of (i) the decisions made with respect to the investment of the Fund's assets and the purchase and sale of its investment securities, (ii) the reasons for such decisions and (iii) the extent to which those decisions have been implemented.

(b) The Manager, subject to and in accordance with any directions which the Trust's Board of Trustees may issue from time to time, shall place, in the name of the Fund, orders for the execution of the Fund's securities transactions. When placing such orders, the Manager shall seek to obtain the best net price and execution for the Fund, but this requirement shall not be deemed to obligate the Manager to place any order solely on the basis of obtaining the lowest commission rate if the other standards set forth in this section have been satisfied. The parties recognize that there are likely to be many cases in which different brokers are equally able to provide such best price and execution and that, in selecting among such brokers with respect to particular trades, it is desirable to choose those brokers who furnish research, statistical, quotations and other information to the Fund and the Manager in accordance with the standards set forth below. Moreover, to the extent that it continues to be lawful to do so and so long as the Board of Trustees determines that

the Fund will benefit, directly or indirectly, by doing so, the Manager may place orders with a broker who charges a commission for that transaction which is in excess of the amount of commission that another broker would have charged for effecting that transaction, provided that the excess commission is reasonable in relation to the value of "brokerage and research services" (as defined in Section 28(e) (3) of the Securities Exchange Act of 1934) provided by that broker.

Accordingly, the Trust and the Manager agree that the Manager shall select brokers for the execution of the Fund's transactions from among:

(i) Those brokers and dealers who provide quotations and other services to the Fund, specifically including the quotations necessary to determine the Fund's net assets, in such amount of total brokerage as may reasonably be required in light of such services; and

(ii) Those brokers and dealers who supply research, statistical and other data to the Manager or its affiliates which the Manager or its affiliates may lawfully and appropriately use in their investment advisory capacities, which relate directly to securities, actual or potential, of the Fund, or which place the Manager in a better position to make decisions in connection with the management of the Fund's assets and securities, whether or not such data may also be useful to the Manager and its affiliates in managing other portfolios or advising other clients, in such amount of total brokerage as may reasonably be required. Provided that the Trust's officers are satisfied that the best execution is obtained, the sale of shares of the Fund may also be considered as a factor in the selection of broker-dealers to execute the Fund's portfolio transactions.

(c) When the Manager has determined that the Fund should tender securities pursuant to a "tender offer solicitation," Franklin/Templeton Distributors, Inc. ("Distributors") shall be designated as the "tendering dealer" so long as it is legally permitted to act in such capacity under the federal securities laws and rules thereunder and the rules of any securities exchange or association of which Distributors may be a member. Neither the Manager nor Distributors shall be obligated to make any additional commitments of capital, expense or personnel beyond that already committed (other than normal periodic fees or payments necessary to maintain its corporate existence and membership in the National Association of Securities Dealers, Inc.) as of the date of this Agreement. This Agreement shall not obligate the Manager or Distributors (i) to act pursuant to the foregoing requirement under any circumstances in which they might reasonably believe that liability might be imposed upon them as a result of so acting, or (ii) to institute legal or other proceedings to collect fees which may be considered to be due from others to it as a result of such a tender, unless the Trust on behalf of the Fund shall enter into an agreement with the

Manager and/or Distributors to reimburse them for all such expenses connected with attempting to collect such fees, including legal fees and expenses and that portion of the compensation due to their employees which is attributable to the time involved in attempting to collect such fees.

(d) The Manager shall render regular reports to the Trust, not more frequently than quarterly, of how much total brokerage business has been placed by the Manager, on behalf of the Fund, with brokers falling into each of the categories referred to above and the manner in which the allocation has been accomplished.

(e) The Manager agrees that no investment decision will be made or influenced by a desire to provide brokerage for allocation in accordance with the foregoing, and that the right to make such allocation of brokerage shall not interfere with the Manager's paramount duty to obtain the best net price and execution for the Fund.

C. Provision of Information Necessary for Preparation of Securities Registration Statements, Amendments and Other Materials. The Manager, its officers and employees will make available and provide accounting and statistical information required by the Fund in the preparation of registration statements, reports and other documents required by federal and state securities laws and with such information as the Fund may reasonably request for use in the preparation of such documents or of other materials necessary or helpful for the underwriting and distribution of the Fund's shares.

D. Other Obligations and Services. The Manager shall make its officers and employees available to the Board of Trustees and officers of the Trust for consultation and discussions regarding the administration and management of the Fund and its investment activities.

3. Expenses of the Fund. It is understood that the Fund will pay all of its own expenses other than those expressly assumed by the Manager herein, which expenses payable by the Fund shall include:

A. Fees and expenses paid to the Manager as provided herein;

B. Expenses of all audits by independent public accountants;

C. Expenses of transfer agent, registrar, custodian, dividend disbursing agent and shareholder record-keeping services, including the expenses of issue, repurchase or redemption of its shares;

D. Expenses of obtaining quotations for calculating the value of the Fund's net assets;

E. Salaries and other compensations of executive officers of the Trust who are not officers, directors, stockholders or employees of the Manager or its affiliates;

F. Taxes levied against the Fund;

G. Brokerage fees and commissions in connection with the purchase and sale of securities for the Fund;

H. Costs, including the interest expense, of borrowing money;

I. Costs incident to meetings of the Board of Trustees and shareholders of the Fund, reports to the Fund's shareholders, the filing of reports with regulatory bodies and the maintenance of the Fund's and the Trust's legal existence;

J. Legal fees, including the legal fees related to the registration and continued qualification of the Fund's shares for sale;

K. Trustees' fees and expenses to trustees who are not directors, officers, employees or stockholders of the Manager or any of its affiliates;

L. Costs and expense of registering and maintaining the registration of the Fund and its shares under federal and any applicable state laws; including the printing and mailing of prospectuses to its shareholders;

M. Trade association dues; and

N. The Fund's pro rata portion of fidelity bond, errors and omissions, and trustees and officer liability insurance premiums.

4. Compensation of the Manager. The Fund shall pay a management fee in cash to the Manager based upon a percentage of the value of the Fund's net assets, calculated as set forth below, as compensation for the services rendered and obligations assumed by the Manager, during the preceding month, on the first business day of the month in each year.

A. For purposes of calculating such fee, the value of the net assets of the Fund shall be determined in the same manner as that Fund uses to compute the value of its net assets in connection with the determination of the net asset value of its shares, all as set forth more fully in the Fund's current prospectus and statement of additional information. The rate of the management fee payable by the Fund shall be calculated daily at the following annual rates:

.625 of 1% of the value of net assets up to and including $100,000,000;

.50 of 1% of the value of net assets over $100,000,000 up to and including $250,000,000;

.45 of 1% of the value of net assets over $250,000,000 up to and including $10,000,000,000;

.44 of 1% of the value of net assets over $10,000,000,000 up to and including $12,500,000,000;

.42 of 1% of the value of net assets over $12,500,000,000 up to and including $15,000,000,000; and

.40 of 1% of the value of net assets in excess of $15,000,000,000.

B. The management fee payable by the Fund shall be reduced or eliminated to the extent that Distributors has actually received cash payments of tender offer solicitation fees less certain costs and expenses incurred in connection therewith and to the extent necessary to comply with the limitations on expenses which may be borne by the Fund as set forth in the laws, regulations and administrative interpretations of those states in which the Fund's shares are registered. The Manager may waive all or a portion of its fees provided for hereunder and such waiver shall be treated as a reduction in purchase price of its services. The Manager shall be contractually bound hereunder by the terms of any publicly announced waiver of its fee, or any limitation of the Fund's expenses, as if such waiver or limitation were full set forth herein.

C. If this Agreement is terminated prior to the end of any month, the accrued management fee shall be paid to the date of termination.

5. Activities of the Manager. The services of the Manager to the Fund hereunder are not to be deemed exclusive, and the Manager and any of its affiliates shall be free to render similar services to others. Subject to and in accordance with the Agreement and Declaration of Trust and By-Laws of the Trust and Section 10(a) of the 1940 Act, it is understood that trustees, officers, agents and shareholders of the Trust are or may be interested in the Manager or its affiliates as directors, officers, agents or stockholders; that directors, officers, agents or stockholders of the Manager or its affiliates are or may be interested in the Trust as trustees, officers, agents, shareholders or otherwise; that the Manager or its affiliates may be interested in the Fund as shareholders or otherwise; and that the effect of any such interests shall be governed by said Agreement and Declaration of Trust, By-Laws and the 1940 Act.

6. Liabilities of the Manager.

A. In the absence of willful misfeasance, bad faith, gross negligence, or reckless disregard of obligations or duties hereunder on the part of the Manager, the Manager shall not be subject to liability to the Trust or the Fund or to any shareholder of the Fund for any act or omission in the course of, or connected with, rendering services hereunder or for any losses that may be sustained in the purchase, holding or sale of any security by the Fund.

B. Notwithstanding the foregoing, the Manager agrees to reimburse the Trust for any and all costs, expenses, and counsel and trustees' fees reasonably incurred by the Trust in the preparation, printing and distribution of proxy statements, amendments to its Registration Statement, holdings of meetings of its shareholders or trustees, the conduct of factual investigations, any legal or administrative proceedings (including any applications for exemptions or determinations by the Securities and Exchange Commission) which the Trust incurs as the result of action or inaction of the Manager or any of its affiliates or any of their officers, directors, employees or stockholders where the action or inaction necessitating such expenditures (i) is directly or indirectly related to any transactions or proposed transaction in the stock or control of the Manager or its affiliates (or litigation related to any pending or proposed or future transaction in such shares or control) which shall have been undertaken without the prior, express approval of the Trust's Board of Trustees; or, (ii) is within the control of the Manager or any of its affiliates or any of their officers, directors, employees or stockholders. The Manager shall not be obligated pursuant to the provisions of this Subparagraph 6(B), to reimburse the Trust for any expenditures related to the institution of an administrative proceeding or civil litigation by the Trust or a shareholder seeking to recover all or a portion of the proceeds derived by any stockholder of the Manager or any of its affiliates from the sale of his shares of the Manager, or similar matters. So long as this Agreement is in effect, the Manager shall pay to the Trust the amount due for expenses subject to this Subparagraph 6(B) within 30 days after a bill or statement has been received by the Manager therefor. This provision shall not be deemed to be a waiver of any claim the Trust may have or may assert against the Manager or others for costs, expenses or damages heretofore incurred by the Trust or for costs, expenses or damages the Trust may hereafter incur which are not reimbursable to it hereunder.

C. No provision of this Agreement shall be construed to protect any trustee or officer of the Trust, or director or officer of the Manager, from liability in violation of Sections 17(h) and (i) of the 1940 Act.

7. Renewal and Termination.

A. This Agreement shall become effective on the date written below and shall continue in effect for two (2) years thereafter, unless sooner terminated as hereinafter provided and shall continue in effect thereafter for periods not exceeding one (1) year so long as such continuation is approved at least annually (i) by a vote of a majority of the

outstanding voting securities of each Fund or by a vote of the Board of Trustees of the Trust, and (ii) by a vote of a majority of the Trustees of the Trust who are not parties to the Agreement (other than as Trustees of the Trust), cast in person at a meeting called for the purpose of voting on the Agreement.

B. This Agreement:

(i) may at any time be terminated without the payment of any penalty either by vote of the Board of Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Fund on 60 days' written notice to the Manager;

(ii) shall immediately terminate with respect to the Fund in the event of its assignment; and

(iii) may be terminated by the Manager on 60 days' written notice to the Fund.

C. As used in this Paragraph the terms "assignment," "interested person" and "vote of a majority of the outstanding voting securities" shall have the meanings set forth for any such terms in the 1940 Act.

D. Any notice under this Agreement shall be given in writing addressed and delivered, or mailed post-paid, to the other party at any office of such party.

8. Severability. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and effective on the ____ day of _____.

[NAME OF TRUST]

By: _____

FRANKLIN ADVISERS, INC.

By: _____

EXHIBIT C

FORM OF PROPOSED ADVISORY AGREEMENT

[NAME OF TRUST]
on behalf of
[NAME OF FUND -- SINGLE SERIES ONLY]

AMENDED AND RESTATED MANAGEMENT AGREEMENT

THIS AMENDED AND RESTATED MANAGEMENT AGREEMENT made between [NAME OF TRUST], a [Delaware] business trust (the "Trust"), on behalf of [NAME OF FUND] (the "Fund"), a series of the Trust, and FRANKLIN ADVISERS, INC., a California corporation, (the "Manager").

WHEREAS, the Trust has been organized and intends to operate as an investment company registered under the Investment Company Act of 1940 (the "1940 Act") for the purpose of investing and reinvesting its assets in securities, as set forth in its Agreement and Declaration of Trust, its By-Laws and its Registration Statements under the 1940 Act and the Securities Act of 1933, all as heretofore and hereafter amended and supplemented; and the Trust desires to avail itself of the services, information, advice, assistance and facilities of an investment manager and to have an investment manager perform various management, statistical, research, investment advisory and other services for the Fund; and,

WHEREAS, the Manager is registered as an investment adviser under the Investment Advisers Act of 1940, is engaged in the business of rendering management, investment advisory, counseling and supervisory services to investment companies and other investment counseling clients, and desires to provide these services to the Fund; and

WHEREAS, the Trust and the Manager wish to amend and restate the Management Agreement previously in effect between them solely in order to relieve the Manager of its previous obligation to perform certain administrative services to the Fund, and to reduce the Manager's fee by the amount each Fund has agreed to pay its Fund Administrator;

NOW THEREFORE, in consideration of the terms and conditions hereinafter set forth, it is mutually agreed as follows:

1. Employment of the Manager. The Trust hereby employs the Manager to manage the investment and reinvestment of the Fund's assets and to administer its affairs, subject to the direction of the Board of Trustees and the officers of the Trust, for the period and on the terms hereinafter set forth. The Manager hereby accepts such employment and agrees during such period to render the services and to assume the obligations herein set forth for the compensation herein provided. The Manager shall for all purposes herein be deemed to be

an independent contractor and shall, except as expressly provided or authorized (whether herein or otherwise), have no authority to act for or represent the Fund or the Trust in any way or otherwise be deemed an agent of the Fund or the Trust.

2. Obligations of and Services to be Provided by the Manager. The Manager undertakes to provide the services hereinafter set forth and to assume the following obligations:

A. Investment Management Services.

(a) The Manager shall manage the Fund's assets subject to and in accordance with the investment objectives and policies of the Fund and any directions which the Trust's Board of Trustees may issue from time to time. In pursuance of the foregoing, the Manager shall make all determinations with respect to the investment of the Fund's assets and the purchase and sale of its investment securities, and shall take such steps as may be necessary to implement the same. Such determinations and services shall include determining the manner in which any voting rights, rights to consent to corporate action and any other rights pertaining to the Fund's investment securities shall be exercised. The Manager shall render or cause to be rendered regular reports to the Trust, at regular meetings of its Board of Trustees and at such other times as may be reasonably requested by the Trust's Board of Trustees, of (i) the decisions made with respect to the investment of the Fund's assets and the purchase and sale of its investment securities, (ii) the reasons for such decisions and (iii) the extent to which those decisions have been implemented.

(b) The Manager, subject to and in accordance with any directions which the Trust's Board of Trustees may issue from time to time, shall place, in the name of the Fund, orders for the execution of the Fund's securities transactions. When placing such orders, the Manager shall seek to obtain the best net price and execution for the Fund, but this requirement shall not be deemed to obligate the Manager to place any order solely on the basis of obtaining the lowest commission rate if the other standards set forth in this section have been satisfied. The parties recognize that there are likely to be many cases in which different brokers are equally able to provide such best price and execution and that, in selecting among such brokers with respect to particular trades, it is desirable to choose those brokers who furnish research, statistical, quotations and other information to the Fund and the Manager in accordance with the standards set forth below. Moreover, to the extent that it continues to be lawful to do so and so long as the Board of Trustees determines that the Fund will benefit, directly or indirectly, by doing so, the Manager may place orders with a broker who charges a commission for that transaction which is in excess of the amount of commission that another broker would have charged for effecting that transaction, provided that the excess commission is reasonable in relation to the value of "brokerage and research services" (as defined in Section 28(e) (3) of the Securities Exchange Act of 1934) provided by that broker.

Accordingly, the Trust and the Manager agree that the Manager shall select brokers for the execution of the Fund's transactions from among:

(i) Those brokers and dealers who provide quotations and other services to the Fund, specifically including the quotations necessary to determine the Fund's net assets, in such amount of total brokerage as may reasonably be required in light of such services; and

(ii) Those brokers and dealers who supply research, statistical and other data to the Manager or its affiliates which the Manager or its affiliates may lawfully and appropriately use in their investment advisory capacities, which relate directly to securities, actual or potential, of the Fund, or which place the Manager in a better position to make decisions in connection with the management of the Fund's assets and securities, whether or not such data may also be useful to the Manager and its affiliates in managing other portfolios or advising other clients, in such amount of total brokerage as may reasonably be required. Provided that the Trust's officers are satisfied that the best execution is obtained, the sale of shares of the Fund may also be considered as a factor in the selection of broker-dealers to execute the Fund's portfolio transactions.

(c) When the Manager has determined that the Fund should tender securities pursuant to a "tender offer solicitation," Franklin/Templeton Distributors, Inc. ("Distributors") shall be designated as the "tendering dealer" so long as it is legally permitted to act in such capacity under the federal securities laws and rules thereunder and the rules of any securities exchange or association of which Distributors may be a member. Neither the Manager nor Distributors shall be obligated to make any additional commitments of capital, expense or personnel beyond that already committed (other than normal periodic fees or payments necessary to maintain its corporate existence and membership in the National Association of Securities Dealers, Inc.) as of the date of this Agreement. This Agreement shall not obligate the Manager or Distributors (i) to act pursuant to the foregoing requirement under any circumstances in which they might reasonably believe that liability might be imposed upon them as a result of so acting, or (ii) to institute legal or other proceedings to collect fees which may be considered to be due from others to it as a result of such a tender, unless the Trust on behalf of the Fund shall enter into an agreement with the Manager and/or Distributors to reimburse them for all such expenses connected with attempting to collect such fees, including legal fees and expenses and that portion of the compensation due to their employees which is attributable to the time involved in attempting to collect such fees.

(d) The Manager shall render regular reports to the Trust, not more frequently than quarterly, of how much total brokerage business has been placed by the

Manager, on behalf of the Fund, with brokers falling into each of the categories referred to above and the manner in which the allocation has been accomplished.

(e) The Manager agrees that no investment decision will be made or influenced by a desire to provide brokerage for allocation in accordance with the foregoing, and that the right to make such allocation of brokerage shall not interfere with the Manager's paramount duty to obtain the best net price and execution for the Fund.

B. Provision of Information Necessary for Preparation of Securities Registration Statements, Amendments and Other Materials. The Manager, its officers and employees will make available and provide accounting and statistical information required by the Fund in the preparation of registration statements, reports and other documents required by federal and state securities laws and with such information as the Fund may reasonably request for use in the preparation of such documents or of other materials necessary or helpful for the underwriting and distribution of the Fund's shares.

C. Other Obligations and Services. The Manager shall make its officers and employees available to the Board of Trustees and officers of the Trust for consultation and discussions regarding the administration and management of the Fund and its investment activities.

3. Expenses of the Fund. It is understood that the Fund will pay all of its own expenses other than those expressly assumed by the Manager herein, which expenses payable by the Fund shall include:

A. Fees and expenses paid to the Manager as provided herein;

B. Expenses of all audits by independent public accountants;

C. Expenses of transfer agent, registrar, custodian, dividend disbursing agent and shareholder record-keeping services, including the expenses of issue, repurchase or redemption of its shares;

D. Expenses of obtaining quotations for calculating the value of the Fund's net assets;

E. Salaries and other compensations of executive officers of the Trust who are not officers, directors, stockholders or employees of the Manager or its affiliates;

F. Taxes levied against the Fund;

G. Brokerage fees and commissions in connection with the purchase and sale of securities for the Fund;

H. Costs, including the interest expense, of borrowing money;

I. Costs incident to meetings of the Board of Trustees and shareholders of the Fund, reports to the Fund's shareholders, the filing of reports with regulatory bodies and the maintenance of the Fund's and the Trust's legal existence;

J. Legal fees, including the legal fees related to the registration and continued qualification of the Fund's shares for sale;

K. Trustees' fees and expenses to trustees who are not directors, officers, employees or stockholders of the Manager or any of its affiliates;

L. Costs and expense of registering and maintaining the registration of the Fund and its shares under federal and any applicable state laws; including the printing and mailing of prospectuses to its shareholders;

M. Trade association dues; and

N. The Fund's pro rata portion of fidelity bond, errors and omissions, and trustees and officer liability insurance premiums.

4. Compensation of the Manager. The Fund shall pay a management fee in cash to the Manager based upon a percentage of the value of the Fund's net assets, calculated as set forth below, as compensation for the services rendered and obligations assumed by the Manager, during the preceding month, on the first business day of the month in each year.

A. For purposes of calculating such fee, the value of the net assets of the Fund shall be determined in the same manner as that Fund uses to compute the value of its net assets in connection with the determination of the net asset value of its shares, all as set forth more fully in the Fund's current prospectus and statement of additional information. The rate of the management fee payable by the Fund shall be calculated at the annual rates set forth in subsection (1) below, and shall be reduced by the amount of fees payable by the Fund under its administration agreement, which fees are calculated at the annual rates set forth in subsection (2) below:

(1) .625 of 1% of the value of net assets up to and including $100,000,000;

.50 of 1% of the value of net assets over $100,000,000 up to and including $250,000,000;

.45 of 1% of the value of net assets over $250,000,000 up to and including $10,000,000,000;

.44 of 1% of the value of net assets over $10,000,000,000 up to and including $12,500,000,000;

.42 of 1% of the value of net assets over $12,500,000,000 up to and including $15,000,000,000; and

.40 of 1% of the value of net assets in excess of $15,000,000,000.

(2) .15 of 1% of the value of net assets up to and including $200,000,000;

.135 of 1% of the value of net assets over $200,000,000 up to and including $700,000,000;

.10 of 1% of the value of net assets over $700,000,000 up to and including $1,200,000,000;

.075 of 1% of the value of net assets in excess of $1,200,000,000.

B. The Manager shall waive all or a portion of its fees, or make payments to limit the expenses of the Fund, or both, to the extent necessary to reduce the annual management fees payable under this agreement, combined with the total annual administrative fees payable under the [Fund Administration Agreement] between the Fund and [the Fund Administrator], to levels that do not exceed the amount of total management fees that were payable under this agreement prior to its amendment to reflect the transfer of the responsibility to provide administrative services to the [Fund Administrator] pursuant to the [Fund Administration Agreement].

C. The management fee payable by the Fund shall be reduced or eliminated to the extent that Distributors has actually received cash payments of tender offer solicitation fees less certain costs and expenses incurred in connection therewith and to the extent necessary to comply with the limitations on expenses which may be borne by the Fund as set forth in the laws, regulations and administrative interpretations of those states in which the Fund's shares are registered. The Manager may waive all or a portion of its fees provided for hereunder and such waiver shall be treated as a reduction in purchase price of its services. The Manager shall be contractually bound hereunder by the terms of any publicly announced waiver of its fee, or any limitation of the Fund's expenses, as if such waiver or limitation were full set forth herein.

D. If this Agreement is terminated prior to the end of any month, the accrued management fee shall be paid to the date of termination.

5. Activities of the Manager. The services of the Manager to the Fund hereunder are not to be deemed exclusive, and the Manager and any of its affiliates shall be free to render similar services to others. Subject to and in accordance with the Agreement and Declaration of Trust and By-Laws of the Trust and Section 10(a) of the 1940 Act, it is understood that trustees, officers, agents and shareholders of the Trust are or may be interested in the Manager or its affiliates as directors, officers, agents or stockholders; that directors, officers, agents or stockholders of the Manager or its affiliates are or may be interested in the Trust as trustees, officers, agents, shareholders or otherwise; that the Manager or its affiliates may be interested in the Fund as shareholders or otherwise; and that the effect of any such interests shall be governed by said Agreement and Declaration of Trust, By-Laws and the 1940 Act.

6. Liabilities of the Manager.

A. In the absence of willful misfeasance, bad faith, gross negligence, or reckless disregard of obligations or duties hereunder on the part of the Manager, the Manager shall not be subject to liability to the Trust or the Fund or to any shareholder of the Fund for any act or omission in the course of, or connected with, rendering services hereunder or for any losses that may be sustained in the purchase, holding or sale of any security by the Fund.

B. Notwithstanding the foregoing, the Manager agrees to reimburse the Trust for any and all costs, expenses, and counsel and trustees' fees reasonably incurred by the Trust in the preparation, printing and distribution of proxy statements, amendments to its Registration Statement, holdings of meetings of its shareholders or trustees, the conduct of factual investigations, any legal or administrative proceedings (including any applications for exemptions or determinations by the Securities and Exchange Commission) which the Trust incurs as the result of action or inaction of the Manager or any of its affiliates or any of their officers, directors, employees or stockholders where the action or inaction necessitating such expenditures (i) is directly or indirectly related to any transactions or proposed transaction in the stock or control of the Manager or its affiliates (or litigation related to any pending or proposed or future transaction in such shares or control) which shall have been undertaken without the prior, express approval of the Trust's Board of Trustees; or, (ii) is within the control of the Manager or any of its affiliates or any of their officers, directors, employees or stockholders. The Manager shall not be obligated pursuant to the provisions of this Subparagraph 6(B), to reimburse the Trust for any expenditures related to the institution of an administrative proceeding or civil litigation by the Trust or a shareholder seeking to recover all or a portion of the proceeds derived by any stockholder of the Manager or any of its affiliates from the sale of his shares of the Manager, or similar matters. So long as this Agreement is in effect, the Manager shall pay to the Trust the amount due for expenses subject to this Subparagraph 6(B) within 30 days after a bill or statement has been received

by the Manager therefor. This provision shall not be deemed to be a waiver of any claim the Trust may have or may assert against the Manager or others for costs, expenses or damages heretofore incurred by the Trust or for costs, expenses or damages the Trust may hereafter incur which are not reimbursable to it hereunder.

C. No provision of this Agreement shall be construed to protect any trustee or officer of the Trust, or director or officer of the Manager, from liability in violation of Sections 17(h) and (i) of the 1940 Act.

7. Renewal and Termination.

A. This Agreement shall become effective on the date written below and shall continue in effect for two (2) years thereafter, unless sooner terminated as hereinafter provided and shall continue in effect thereafter for periods not exceeding one (1) year so long as such continuation is approved at least annually (i) by a vote of a majority of the outstanding voting securities of each Fund or by a vote of the Board of Trustees of the Trust, and (ii) by a vote of a majority of the Trustees of the Trust who are not parties to the Agreement (other than as Trustees of the Trust), cast in person at a meeting called for the purpose of voting on the Agreement.

B. This Agreement:

(i) may at any time be terminated without the payment of any penalty either by vote of the Board of Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Fund on 60 days' written notice to the Manager;

(ii) shall immediately terminate with respect to the Fund in the event of its assignment; and

(iii) may be terminated by the Manager on 60 days' written notice to the Fund.

C. As used in this Paragraph the terms "assignment," "interested person" and "vote of a majority of the outstanding voting securities" shall have the meanings set forth for any such terms in the 1940 Act.

D. Any notice under this Agreement shall be given in writing addressed and delivered, or mailed post-paid, to the other party at any office of such party.

8. Severability. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and effective on the ____ day of _____.

[NAME OF TRUST]

By: _____

FRANKLIN ADVISERS, INC.

By: _____

EXHIBIT D

FORM OF PROPOSED ADMINISTRATION AGREEMENT

[NAME OF REGISTRANT]
ON BEHALF OF
[NAME OF SERIES]
AND
[NAME OF FRANKLIN FUND ADMINISTRATOR]

AGREEMENT dated as of [DATE], between [Name of Registrant], a [Massachusetts\Delaware] business trust (the "Trust"), on behalf of the [Name of Series] (the "Fund"), a separate series of the Trust, and [Name of Franklin Fund administrator] (the "Administrator").

In consideration of the mutual promises herein made, the parties hereby agree as follows:

(1) The Administrator agrees, during the life of this Agreement, to provide the following services to the Fund, to the extent required under the Agreement:

(a) providing office space, telephone, office equipment and supplies for the Fund;

(b) paying compensation of the Fund's officers for services rendered as such;

(c) authorizing expenditures and approving bills for payment on behalf of the Fund;

(d) supervising preparation of periodic reports to Shareholders, notices of dividends, capital gains distributions and tax credits, and attending to routine correspondence and other communications with individual Shareholders;

(e) daily pricing of the Fund's investment portfolio and preparing and supervising publication of daily quotations of the bid and asked prices of the Fund's Shares, earnings reports and other financial data;

(f) monitoring relationships with organizations serving the Fund, including custodians, transfer agents, public accounting firms, law firms, printers and other third party service providers;

(g) providing trading desk facilities for the Fund;

(h) supervising compliance by the Fund with recordkeeping requirements under the Investment Company Act of 1940, as amended (the "1940 Act") and the rules and regulations thereunder, supervising compliance with recordkeeping requirements imposed by state laws or regulations, and maintaining books and records for the Fund (other than those maintained by the custodian and transfer agent);

(i) preparing and filing of tax reports including the Fund's income tax returns, and monitoring the Fund's compliance with subchapter M of the Internal Revenue Code and other applicable tax laws and regulations;

(j) monitoring the Fund's compliance with: the 1940 Act and rules and regulations thereunder; state and foreign laws and regulations applicable to the operation of investment companies; the Fund's investment objectives, policies and restrictions; and the Code of Ethics and other policies adopted by the Fund's Board of Trustees or by the Adviser and applicable to the Fund;

(k) providing executive, clerical and secretarial personnel needed to carry out the above responsibilities; and

(l) preparing regulatory reports, including without limitation NSARs, proxy statements and U.S. and foreign ownership reports.

(2) The Trust agrees, during the life of this Agreement, to pay to Administrator as compensation for the foregoing a monthly fee equal on an annual basis to

.15 of 1% of the value of net assets up to and including $200,000,000;

.135 of 1% of the value of net assets over $200,000,000 up to and including $700,000,000;

.10 of 1% of the value of net assets over $700,000,000 up to and including $1,200,000,000;

.075 of 1% of the value of net assets in excess of $1,200,000,000.

(3) This Agreement shall remain in full force and effect through [DATE] [or for one year after its execution] and thereafter from year to year to the extent continuance is approved annually by the Board of Trustees of the Trust.

(4) This Agreement may be terminated by the Trust at any time on sixty (60) days' written notice without payment of penalty, provided that such termination by the Trust shall be directed or approved by the vote of a majority of the Trustees of the Trust in office at the time or by the vote of a majority of the outstanding voting securities of the Trust (as

defined by the 1940 Act); and shall automatically and immediately terminate in the event of its assignment (as defined by the 1940 Act).

(5) In the absence of willful misfeasance, bad faith or gross negligence on the part of Administrator, or of reckless disregard of its duties and obligations hereunder, Administrator shall not be subject to liability for any act or omission in the course of, or connected with, rendering services hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers and their respective corporate seals to be hereunto duly affixed and attested.

[NAME OF TRUST]
on behalf of
[NAME OF SERIES]

By: _____

[NAME OF FRANKLIN FUND ADMINISTRATOR]

By: _____

See Notice of Proposal to Amend Rule 17d-1 under the Investment Company Act of 1940 to Provide an Exemption from the Rule for Affiliated Persons with Respect to Certain Service Agreements with Investment Companies, Investment Company Act Release No. 8245 [1973-1974 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 79,667 (Feb. 25, 1974) (the "Proposing Release").

See Investment Company Contracts for Services with Affiliated Persons - Withdrawal of Proposed Rule Amendment, Investment Company Act Release No. 10822 [1979 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶82,172 (August 8, 1979).

See Lindner Fund for Income, Incorporated, SEC No-Action Letter (publicly available May 10, 1984)(provision of transfer agency services by affiliate); Criterion Funds, Inc., SEC No-Action Letter (publicly available January 9, 1984)(provision of bookkeeping and accounting services by affiliate); Lindner Fund, Incorporated, SEC No-Action Letter (publicly available June 17, 1983)(provision of transfer agency and dividend disbursing services by affiliate); Boston Safe Deposit and Trust Company, SEC No-Action Letter (publicly available March 30, 1983)(provision of custodian and transfer agency services by affiliate); The Hartford Money Market Fund, Inc., SEC No-Action Letter, [1982-1983 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶77,393 (Feb. 14, 1983)(provision of administrative services by affiliate).

See also Merrill Lynch Capital Fund, Incorporated, SEC No-Action Letter (publicly available December 21, 1990) (use of affiliated printer without shareholder approval allowed under rule 17d-1); Washington Square Cash Fund, Incorporated, SEC No-Action Letter (publicly available July 9, 1990) (use of affiliated custodian without shareholder approval allowed under Rule 17d-1); Unified Growth Fund, Inc., Sec No-Action Letter (publicly available June 28, 1990) (use of affiliated printer without shareholder approval allowed under Rule 17d-1); Diversified Securities,Incorporated, SEC No-Action Letter (publicly available January 22, 1985) (use of affiliated transfer agent without shareholder approval allowed under Rule 17d-1); Federated Securities Corp.; SEC No-Action Letter, [1983-1984 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶77,548 (Oct. 21, 1983)(provision of fidelity insurance by affiliate without standard approval allowed under Rule 17d-1).