In the matter of:  ) ORDER NO: 15-474-S

FRANKLIN STRATEGIC ) ORDER IMPOSING A CIVIL PENALTY MORTAGE PORTFOLIO AND CONSENT TO ORDER

) Respondent.

The Director of the Department of Commerce, Community, and Economic Development, Division of Banking and Securities ("Administrator"), has conducted an investigation into certain business activities of Franklin Strategic Mortgage Portfolio ("Respondent"), and has determined that Respondent violated certain provisions of the Alaska Securities Act, Alaska Statute (AS) 45.55, by offering and selling securities in Alaska without the securities first being registered with the Administrator, federally covered in compliance with Alaska law, or exempt from registration.

Respondent agrees that the Administrator has jurisdiction over Respondent and these matters pursuant to the Alaska Securities Act.

Respondent wishes to resolve and settle this matter with the Administrator. As evidenced by the authorized signature on this Order, Respondent consents to the entry of this Order imposing a civil penalty. Respondent waives its right to a hearing under AS 45.55.920(d).

I. FACTS

1. Respondent is an open-end investment company with an address of One Franklin Parkway, San Mateo, California, 94403.
2. Respondent is registered under the Investment Company Act of 1940. Respondent is exempt from state securities registration according to section 18 of the Securities Act of 1933 ("1933 Act"); however, Respondent is subject to the notice filing provisions in Section 18(b)(2) of the 1933 Act and AS 45.55.075 and the Alaska Administrative Code (AAC) 3 AAC 08.085, which require an issuer to file notice with the Administrator on NASAA Form NF and pay either a one year $600 filing fee, or a two year $1,100 filing fee, when securities are offered or sold in the State of Alaska. All notice filings must be renewed before the date of expiration of the previous notice filing.

3. Respondent first notice-filed with the Administrator on February 1, 2002. Respondent timely renewed its notice filings with the Administrator and paid the required filing fees every year until its February 1, 2013 filing expired on February 1, 2014.

4. From February 2, 2014 to November 23, 2014, Respondent did not notice file with the Administrator. During this time, Respondent sold shares totaling $22,301.62 in the State of Alaska. Respondent stated to the Administrator that its failure to file during this time period was the result of an unintentional data entry error that occurred during a conversion to a new software filing system, whereby the system, under its default assumption that Registrant’s February 1, 2013 filing had been for a two year period, did not generate a February 1, 2014 notice filing.

5. On November 24, 2014, Respondent renewed its notice filing with the Administrator and paid the $600 filing fee.

6. On March 24, 2015, Respondent discovered that it had not made the required February 1, 2014 notice filing and promptly reported this fact to the Administrator.

II. CONCLUSIONS OF LAW

1. The investment company shares offered and sold by the Respondent were federal
covered securities under 15 U.S.C. 77r(b)(2) (1933 Act) and subject to the filing
requirements of AS 45.55.075.

2. Respondent sold federal covered securities in the State of Alaska from February 2,
2014 to November 23, 2014 without filing the required renewal of its notice filing and
paying the required filing fee in violation of AS 45.55.075.

3. Respondent is subject to a civil penalty under AS 45.55.920(c) for violations of the
Alaska Securities Act that were not knowing or intentional.

III. ORDER

Pursuant to AS 45.55.920(c), and on the basis of the Findings of Fact, Conclusions of
Law and Respondent’s consent to the entry of this Order, the Administrator ORDERS
Respondent to:

1. Pay a civil penalty in the amount of one thousand dollars ($1,000).

2. Comply with all provisions of the Alaska Securities Act, including associated
regulations.

IT IS SO ORDERED.

CHRI$ HLADICK, Commissioner
Department of Commerce, Community
and Economic Development

June 1, 2015

/s/ Kevin Anselm
Kevin Anselm, Director
Division of Banking and Securities

Corporate Consent to Entry of Order

I, Steven J. Gray, state that I am the Vice President and Assistant Secretary of
Franklin Strategic Mortgage Portfolio (“Respondent”); that I am authorized to act on its
behalf; that I have read the foregoing Order and that I know and fully understand the Order’s contents; that Respondent has been advised of the right to a hearing and expressly waives any right to a hearing in this matter; that Respondent voluntarily and without any force or duress, consents to the entry of this Order, without admitting or denying the allegations and conclusions stated herein; that Respondent understands that the Administrator reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Alaska Securities Act; and that Respondent will fully comply with the terms and conditions stated herein.

Respondent further assures the Administrator that Respondent and its members, officers, employees and agents will only effect securities transactions in Alaska in full compliance with the terms of this Order, the Alaska Securities Act (AS 45.55) and regulations (3 AAC 08).

Respondent understands that this Order is a publicly disclosable document.

Franklin Strategic Mortgage Portfolio

5/19/15

By: /s/ Steven Gray

Name: Steven J. Gray

Title: Vice President and Assistant Secretary

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF California
COUNTY OF San Mateo

On May 19, 2015 before me Maria Celeste Vera Cruz Dela Rosa personally appeared Steven Gray who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the

Franklin Strategic Mortgage Portfolio
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within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing Paragraph is
true and correct.

WITNESS my hand and official seal.

/\s/ Maria Celeste Vera Cruz Dela Rosa

Maria Celeste Vera Cruz Dela Rosa, Notary Public
My commission expires: 06/16/2015

Contact Person:
David Newman
Securities Examiner
(907) 269-7678