The June 13 appointment of Charles E. Johnson to the board of Franklin Resources saw the remarkable return - and some might say redemption - of a fallen executive.

Nearly 10 years earlier, on July 18, 2003, the son of then-CEO Charles B. Johnson pleaded guilty to felony domestic violence. On Sept. 28, 2002, he had smashed his wife's face into a stove, fracturing bones around one eye.

Charles E. Johnson, known as Chuck, went on administrative leave from his positions at Franklin as co-president and director of the board in October 2002. He formally stepped down from the company in June 2003.

"I did a terrible thing, and I paid a horrible price," says Chuck Johnson in an e-mail response to questions. "I take full responsibility for my actions, and I fully deserved all the punishments I received, and all I can say is that they have helped to make me a better person."

Chuck Johnson's return to the firm that his grandfather founded in 1947 has been a gradual process, regulatory filings show, and is intertwined with the growth of Tano Capital, the family office and alternative asset management firm he founded in 2004.

It is highly unusual to name a convicted felon as a director of a corporate board, no less one that governs a firm with more than $800 billion in assets under management. Yet Franklin officials and Chuck Johnson point to his experience at both Franklin and Tano Capital as qualifications for the position.

Chuck Johnson began working at the company in 1981; four years later, in 1985, he received a master's degree in business administration from Harvard Business School, according to his bio on Tano's website.

He joined Franklin's board in 1993 and had reportedly been in the running to succeed his father as CEO, but his younger brother, Gregory E. Johnson, won that coveted position when he was named co-CEO with Martin Flanagan in October 2003. Greg Johnson became the sole CEO in 2005 when Flanagan departed to lead Invesco.

"Charles E. 'Chuck' Johnson brings a wealth of experience to the board, having previously spent 20 years of his career with Franklin Templeton, helping to grow the company into one of the premier global asset managers," says a spokesman for Franklin in an e-mail response to questions.

"Most recently, his experience as founder and managing general partner of Tano Capital adds additional experience in alternative asset management, an area of focus for Franklin Templeton," the spokesman says.
Chuck Johnson says that he worked in various operational departments at the firm, took over the marketing department in 1985 and did most of the corporate finance work for Franklin, including the acquisition of Templeton in 1992.

"I believe I bring long and deep experience both industry-wise and [from] Franklin Templeton specific to my new role as director," Johnson says.

Tano, which specializes in commodities as well as investments in India and China, has offices in the U.S., Singapore, India, Mauritius, China, Taiwan and Japan. The firm's investment advisory council includes Mark Mobius, executive chairman of the Templeton Emerging Markets Group, and Nicholas Brady, former Treasury secretary, according to Tano's website.

Business interactions between Tano Capital and Franklin began soon after Chuck Johnson started the alternative asset manager in 2004.

Franklin entered into a written lease in November 2005 with Tano for office space. The firm had previously been providing an office to Tano. Tano paid about $5,300 per month for 2,317 square feet of space, according to regulatory disclosure.

Franklin noted at the time that it obtained information from independent real estate professionals on market lease rates for comparable office space in San Mateo.

The lease has been renewed or extended in the following years. Most recently, in November 2012, Tano extended the lease for a fixed five-year term. Tano now leases 4,125 square feet on Franklin's San Mateo campus, for which it pays $148,500 per year.

Franklin has also been attracted to some of Tano's investments, regulatory filings show. In July 2011, subsidiary Franklin Templeton Capital Holdings Private Limited made a $25 million investment commitment to the Tano India Private Equity Fund II.

Franklin Templeton Capital Holdings Private Limited also intends to acquire less than 20% of Tano Alpha Advisors, a private limited company, in exchange for certain investment advisory services and office space from one or more of the company's subsidiaries. Alpha plans to act as investment manager of a private equity fund to be launched in 2013, according to recent regulatory disclosure.

The dollar value of the amount in the transaction was indeterminable at the time of the June 13 disclosure, Franklin stated.

"It's a set of interesting facts that presents a ... unique situation," says Mark Borges, a principal at compensation consultancy Compensia, referring to Chuck Johnson's return to Franklin's board. Borges notes the steps Chuck Johnson has taken to rehabilitate himself and make amends for the domestic violence incident.
Indeed, Chuck Johnson says in his e-mail to Ignites that he discovered through the events of 10 years ago that he was, and is, an alcoholic. He went into rehab at Betty Ford in 2003 and has been sober for many years, he says.

Chuck Johnson and his wife divorced after the incident, but Johnson says he has worked during the past 10 years to repair his relationship with her.

Tano’s website also notes that Chuck Johnson serves on the advisory board of a Salvation Army rehabilitation center based in South San Francisco.

But Borges calls attention to the timing of the announcement that Chuck Johnson would join Franklin's board and that his father would step down as chairman, with Greg Johnson replacing him.

The June 13 announcement came three months after the March 13 annual shareholder meeting.

Niels Holch, executive director of the Coalition of Mutual Fund Investors, also questions the timing.

"A series of moves like that ... is something that would have been planned out months in advance; at least, that's the typical pattern," Holch says.

In response to a question about this timing, a Franklin spokesman states, "Charles B. Johnson decided to retire as chairman of the board and director of Franklin Resources in June and the relevant replacements were announced accordingly."

Yet with Charles B. Johnson and his brother Rupert H. Johnson owning 34% of the company as of the end of 2012, it is unlikely that shareholders would be able to vote Chuck Johnson off the board during the 2014 annual meeting, if they took issue with his appointment.

"Now that he's been appointed, it would basically take virtually everyone else who's not a Johnson to band together and vote against him," says Compensia’s Borges.

Donna Boehme, principal of Compliance Strategists, says Chuck Johnson joins a long line of "tainted" executives and directors who are still drafted to serve on the boards of big companies. Boehme cites a New York Times article that chronicles some of these appointments, including that of James A. Johnson, former chief of Fannie Mae and no relation of the Franklin Templeton Johnsons, to the board of Goldman Sachs.

But others note that Chuck Johnson’s tangle with the law was not because of financial misdeeds. "[Franklin is] basically leaving it up to the shareholders and saying, 'He comes with a blemish,'" says Borges.

"He also comes with skills and the reputation of being a member of the [Johnson] family."
An SEC rule requires firms to disclose a director’s conviction in a criminal proceeding during the past 10 years if it is material to an evaluation of the ability or integrity of the director.

In July 2004, a California court granted Chuck Johnson’s motion to retroactively reduce his conviction from a felony to a misdemeanor. In 2006, the court expunged the misdemeanor from his record, according to Chuck Johnson.

Boehme says corporate boards act as a role model for the company and send messages to the organization through their actions.

"Within organizations, we as [chief compliance officers] say you should not be promoting senior managers who do bad things just because they’re successful execs," says Boehme.

As a non-employee director of Franklin, Chuck Johnson will receive an annual retainer of $85,000. He also will receive an annual equity grant valued at $100,000 on the date of the annual organizational meeting of the board.