TAX-FREE INCOME

Franklin Federal Tax-Free Income Fund

INVEST WITH A TAX-FREE LEADER

FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Investments

Gain From Our Perspective®

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.

SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

Franklin. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

Templeton. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

Mutual Series. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

TRUE DIVERSIFICATION

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we continuously seek to provide our shareholders with strong risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Invest with a Tax-Free Leader

EXPERIENCE

Franklin has been managing tax-free income funds since 1977. Today, we're one of the largest tax-free income fund managers in the nation,[1] with more than $79 billion in municipal bond assets under management.[2]

STRENGTH

Our 34 municipal bond investment professionals have an average of 17 years of financial industry experience.[2] We search the country for what we consider to be the best bond offerings for our portfolios.

OPPORTUNITY

In addition to Franklin Federal Tax-Free Income Fund, we manage six national tax-free income funds, including intermediate-term, limited-term, high-yield and insured portfolios. The funds seek to provide income exempt from regular federal income tax.[3]

"At Franklin, we're committed to a conservative, disciplined investment strategy. For over 30 years, we've worked to provide shareholders with tax-free income while preserving capital."

SHEILA AMOROSO AND RAFAEL COSTAS
CO-DIRECTORS OF FRANKLIN'S MUNICIPAL BOND DEPARTMENT

What Are the Risks?

All investments involve risks, including possible loss of principal. Because municipal bonds are sensitive to interest rate movements, the fund's yield and share price will fluctuate with market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. The fund may invest a significant part of its assets in municipal securities that finance similar types of projects, such as utilities, hospitals, higher education and transportation. A change that affects one project would likely affect all similar projects, thereby increasing market risk. For more detailed information about risk, please review a current Franklin Federal Tax-Free Income Fund prospectus.

1. Source: Strategic Insight, ICI as of 6/30/13. Based on long-term municipal bond fund assets.
2. As of 6/30/13.
3. Dividends are generally subject to state and local taxes, if any. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

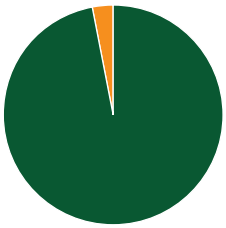
The Strategy

Conservative, Income-Oriented, Long-Term Investing

1] FOCUS ON INCOME

Our managers focus on maximizing monthly tax-free income for shareholders. Historically, income return from municipal bonds has contributed much more to municipal bond total returns than changes in municipal bond prices. Additionally, our managers generally work to minimize fund exposure to bonds with income that is subject to the alternative minimum tax. Please remember, past performance does not guarantee future results.

Income: The Most Important Component of Total Return[4]
Barclays Municipal Bond Index (20-Year Period Ended June 30, 2013)



% OF TOTAL RETURN	
Income	**97.1%**
Appreciation on Initial Investment	2.9%

This chart is for illustrative purposes only and does not represent the performance of any Franklin, Templeton or Mutual Series fund.

2] PLAIN VANILLA APPROACH—NO LEVERAGE, NO DERIVATIVES

We adhere to a conservative approach to generate tax-free income for shareholders. Consistent with this approach, the fund does not use leverage or invest in derivatives which can increase volatility in municipal bond portfolios.

3] STRICT INTERNAL CREDIT ANALYSIS

Our analysts conduct exhaustive research to find what they consider attractively valued issues for our portfolios. They are responsible for evaluating an issuer's credit strengths and weaknesses, and recommending fund purchases to portfolio managers. Part of their evaluation process includes stress testing credits—to determine an issuer's ability to make bondholders whole in the face of potential declines in revenues, land values, or populations and other negative pressures. Particularly during an economic slowdown, this research can be pivotal to making wise investment decisions.

4. Source: Barclays, 6/30/13. Total return includes compounded income and capital appreciation. Indexes are unmanaged, and one cannot directly invest in an index.

4] BUY AND HOLD FOR THE LONG TERM

Since we're focused on maximizing income, we don't actively trade bonds to try to capture capital gains. We typically sell holdings only if we see an opportunity to enhance a fund's portfolio structure or its income-earning potential. Over time, as we invest in different interest rate climates, the portfolios become well diversified with a broad range of securities. As a result, our portfolios are well-seasoned with many older, higher coupon securities. These securities generally are less sensitive to interest rate movements and may help reduce volatility in the portfolio.

How Franklin Selects Municipal Bonds

On an ongoing basis, our managers and analysts work to identify new opportunities and monitor current holdings.

Franklin's Investment Process

MARKET ANALYSIS	RESEARCH	PORTFOLIO CONSTRUCTION
On a daily basis, we analyze current market conditions, including: • Trading activity • Yield spreads • Call option spreads • New offerings • Secondary market offerings • Credit ratings • Event risk	We search for attractively valued bonds where we are comfortable with the credit fundamentals and the level of income we believe they should provide. We often make site visits to identify potential problems and opportunities that may not be readily visible on paper. Analysts focus on credit-driven bond issues where we believe they can add the most value to the security selection process.	We build portfolios with diversification in mind, taking into consideration allocations to sectors, regions, coupons, calls, maturities and quality, as appropriate. We don't make significant allocation shifts based on expected market conditions. Rather, we look for the best value in the marketplace from an income-oriented perspective.

The Benefits

What Sets Franklin Federal Tax-Free Income Fund Apart?

1] AN INDUSTRY LEADER

We believe our solid reputation and significant asset base are advantages when negotiating terms for municipal bond transactions and finding opportunities to participate in new bond offerings. As a large institutional investor, we're able to purchase bonds at prices generally lower than those available to the average individual investor, and then pass on the savings to our shareholders.

2] DEEP RESEARCH RESOURCES

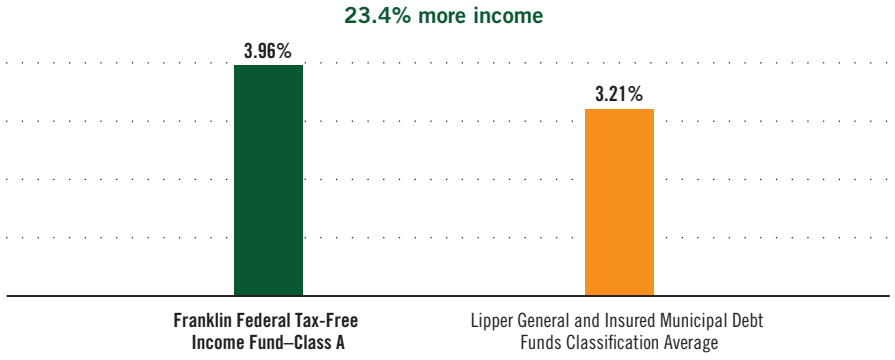
With more than 50,000 municipal bond issuers and 2 million separate bond issues outstanding, we believe a strong research team is essential.[5] We have 19 analysts, with an average tenure of 15 years each, who provide in-depth coverage of 16 sectors of the municipal bond market. Their experience helps us identify opportunities and indications of risk that others might miss.

3] HIGH INCOME POTENTIAL

The 12-month yield at net asset value (NAV) for Franklin Federal Tax-Free Income Fund, Class A shares, was 75 basis points higher than its Lipper peer group's average yield, as of June 30, 2013.[6] Thus, if you had invested $100,000 for the one-year period ended June 30, 2013, you could have earned $750 more from an investment in Franklin Federal Tax-Free Income Fund, Class A, compared to the Lipper peer group average yield.

Franklin Federal Tax-Free Income Fund Delivered Higher Yields Than Its Peer Group Average[6]

12-month yield at NAV
As of June 30, 2013



Unless otherwise noted, fund performance figures in this brochure reflect Class A and do not include the maximum 4.25% initial sales charge. If they had, returns would have been lower. Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit ***franklintempleton.com*** *for the most recent month-end performance.*

Please refer to page 8 for standardized fund performance information.

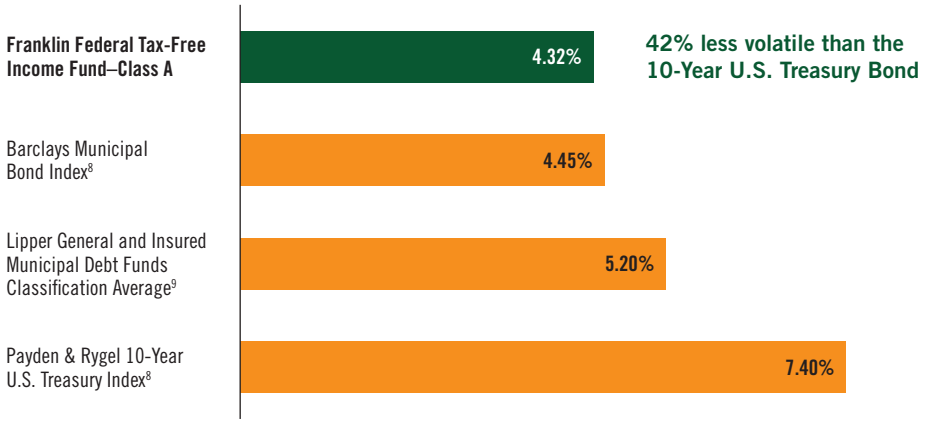
5. Source: SIFMA, 12/31/10. Most recent data available.
6. Source: Lipper® Inc. 6/30/13. Lipper figures do not include sales charges.

4] RELATIVELY LOWER VOLATILITY

By following a conservative investment strategy, Franklin Federal Tax-Free Income Fund, Class A, has experienced relatively lower volatility over the long term. Please note that the fund's share price may fluctuate with market conditions and ongoing market volatility can significantly impact the fund's share price, dividends and returns, particularly over the short term. Past performance does not guarantee future results. Treasury bonds, if held to maturity, offer a fixed rate of return and a fixed principal value; their interest payments and principal are guaranteed.

Franklin Federal Tax-Free Income Fund Has Been Less Volatile[7]

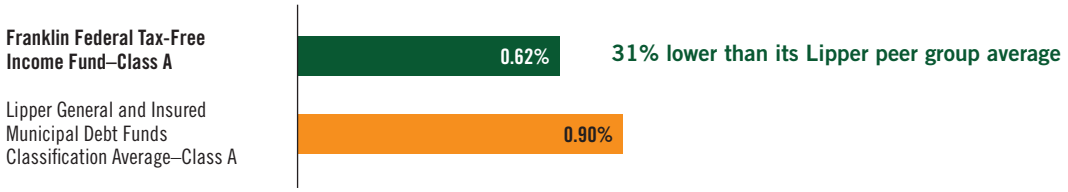
20-Year Annualized Standard Deviation
As of June 30, 2013



5] LOWER THAN AVERAGE FUND EXPENSES

Our large asset base and our buy-and-hold strategy have helped to keep fund expenses relatively low.

Gross Expense Ratio Comparison[9]
As of June 30, 2013



7. Volatility is measured by the 20-year annualized standard deviation of monthly total returns. In general, the higher the standard deviation, the greater the volatility.

8. Source: © 2013 Morningstar (Barclays Municipal Bond Index and Payden & Rygel 10-Year U.S. Treasury Bond Index), 6/30/13. Indexes are unmanaged, and one cannot directly invest in an index. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

9. Source: Lipper® Inc. June 30, 2013.

The Results

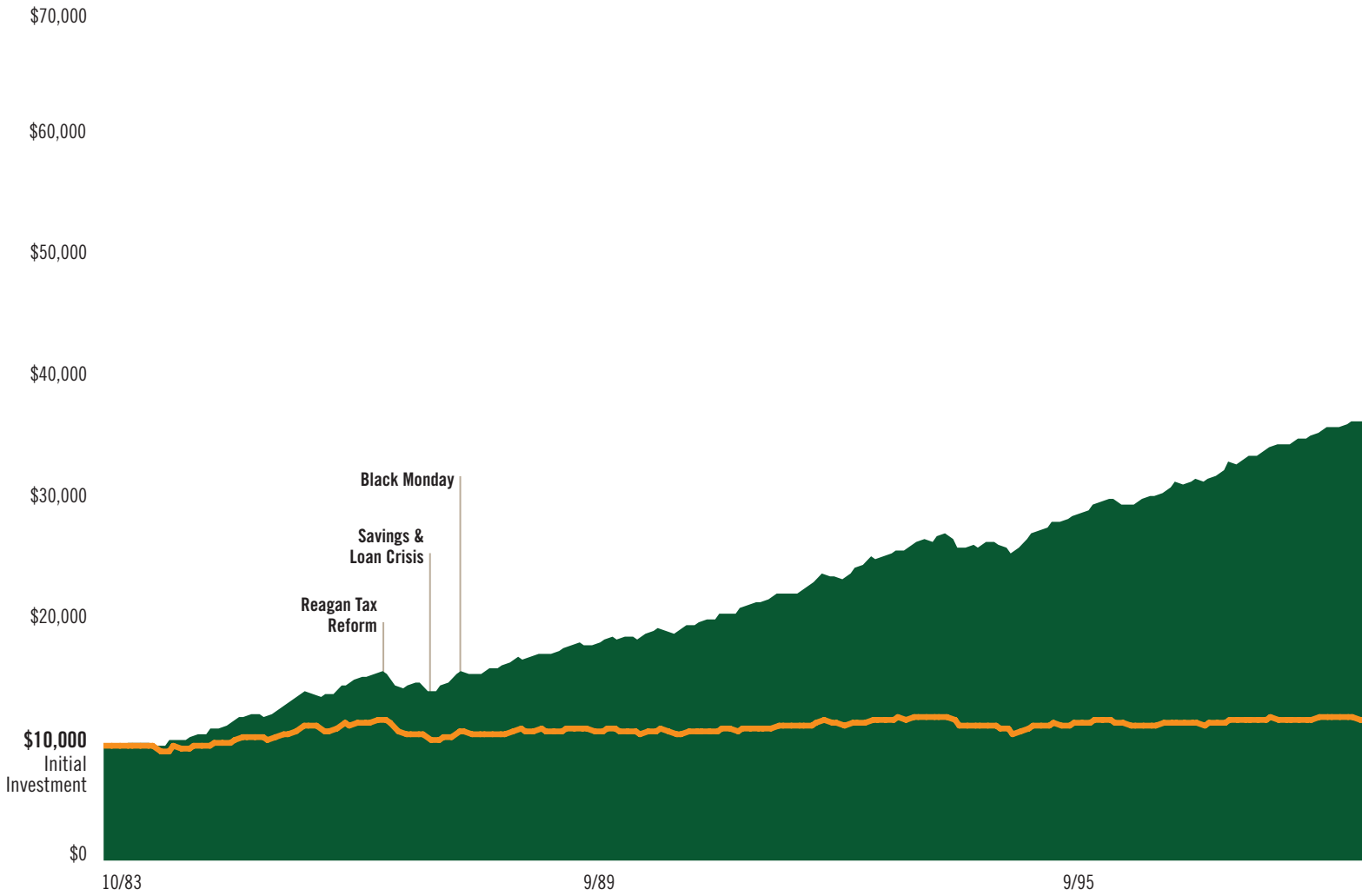
Strong Long-Term Performance

By adhering to a long-term income-oriented strategy, the fund, Class A, has weathered the ups and downs of the market. If you had invested $10,000 in the fund's Class A shares at inception on October 7, 1983 (including the current maximum 4.25% initial sales charge), you could have received monthly dividend checks totaling $19,753, as of June 30, 2013. As a fund shareholder, you also have the option to take advantage of tax-free compounding. If you had reinvested all of your distributions, including capital gains, your account would have grown to $69,313. That's a 6.73% average annual total return.

Please note, the fund's share price may fluctuate with market conditions, and market volatility can dramatically impact the fund's share price, dividends and returns over the short term. Past performance does not guarantee future results. Additionally, the hypothetical scenario does not take into account the effect of taxes. If taxes were taken into account, the hypothetical values shown would have been lower.

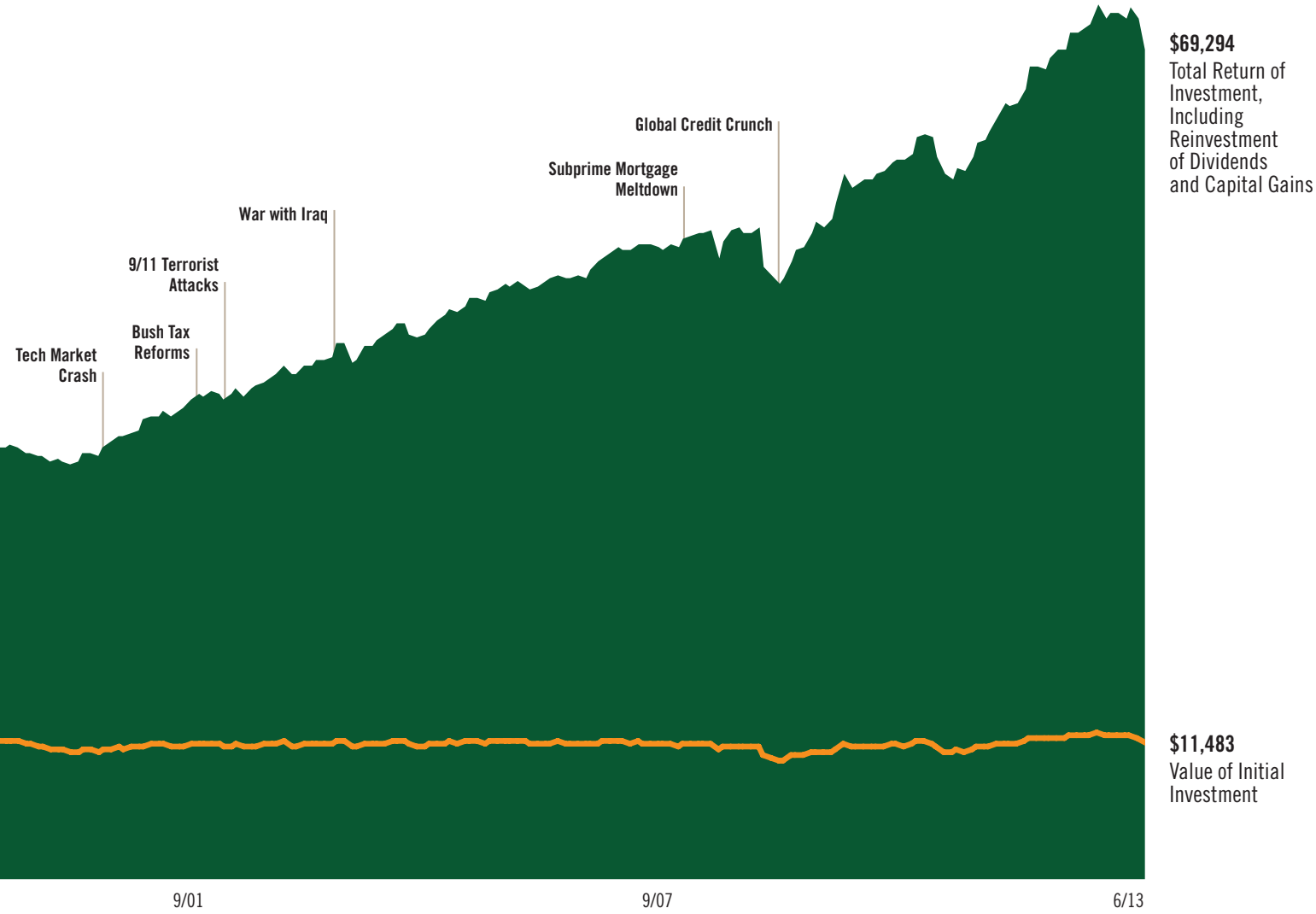
Franklin Federal Tax-Free Income Fund–Class A

Growth of a $10,000 Investment (With Sales Charge)[10]
October 7, 1983–June 30, 2013



Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit ***franklintempleton.com*** *for the most recent month-end performance.*

10. On 5/1/94, Class A shares implemented a Rule 12b-1 plan, which affects subsequent performance.


Tech Market Crash
Bush Tax Reforms
9/11 Terrorist Attacks
War with Iraq
Subprime Mortgage Meltdown
Global Credit Crunch
$69,294
Total Return of Investment, Including Reinvestment of Dividends and Capital Gains
$11,483
Value of Initial Investment
9/01
9/07
6/13

The Results

Positive Average Annual Total Returns in Every Five-Year Period Since Inception

Franklin's time-tested investment philosophy has been successful throughout different interest rate environments and market conditions. Franklin Federal Tax-Free Income Fund, Class A, has delivered a positive average annual total return, without sales charge, in all 25 consecutive rolling five-year periods since inception.[12] Please remember, past performance does not guarantee future results.

Franklin Federal Tax-Free Income Fund–Class A

5-Year Average Annual Total Returns (Without Sales Charge)[11]

Jan. 1–Dec. 31	5-Year Return	Jan. 1–Dec. 31	5-Year Return
BEST 1984–1988	12.05%	1997–2001	5.28%
1985–1989	11.66%	1998–2002	4.93%
1986–1990	8.70%	1999–2003	4.91%
1987–1991	7.63%	2000–2004	6.62%
1988–1992	10.21%	2001–2005	5.46%
1989–1993	9.69%	2002–2006	5.55%
1990–1994	6.99%	2003–2007	4.65%
1991–1995	8.86%	2004–2008	1.97% WORST
1992–1996	7.17%	2005–2009	4.00%
1993–1997	7.06%	2006–2010	3.31%
1994–1998	6.02%	2007–2011	4.66%
1995–1999	6.22%	2008–2012	5.91%
1996–2000	5.29%		

Please note that had sales charges been included, returns would have been lower.

Average Annual Total Returns
Period Ended June 30, 2013

	With Maximum Sales Charges[12]				Without Sales Charges			
	1-Year	5-Year	10-Year	Since Inception (Date)	1-Year	5-Year	10-Year	Since Inception (Date)
Class A	-4.26%	4.24%	4.01%	6.73% (10/7/83)	0.02%	5.15%	4.47%	6.88% (10/7/83)
Class C	-1.49%	4.56%	3.89%	4.66% (5/1/95)	-0.53%	4.56%	3.89%	4.66% (5/1/95)

Sales Charges: *Class A: Maximum 4.25% initial sales charge; Class C: 1% contingent deferred sales charge (CDSC) in the first year only.*
Total Annual Operating Expenses: *Class A: 0.62%; Class C: 1.17%*

Yields and Distribution Rates
Periods Ended August 31, 2013

	30-Day Standardized Yield[13]	Taxable Equivalent Yield[13]	Distribution Rate[14]	Taxable Equivalent Distribution Rate[14]
Class A	3.52%	6.22%	3.96%	7.00%
Class C	3.12%	5.51%	3.55%	6.27%

Unless otherwise noted, fund performance figures in this brochure reflect Class A and do not include the maximum 4.25% initial sales charge. If they had, returns would have been lower. Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit ***franklintempleton.com*** *for the most recent month-end performance.*

Why Franklin Federal Tax-Free Income Fund?

Reasons to Invest with a Tax-Free Leader

THE STRATEGY

- For over 30 years, Franklin has adhered to a disciplined, **conservative investment strategy.**
- Managers focus on providing shareholders with **monthly tax-free income.**[15]
- We adhere to a plain vanilla approach—**no leverage, no derivatives.**

THE BENEFITS

- **Tenure and Expertise**—Our municipal bond team of **34 investment professionals** has an average of 17 years of financial industry experience.[16]
- **Higher Yield Record**—The fund's Class A 12-month yield at NAV was **23.4% higher** than its Lipper peer group average, as of June 30, 2013.[17]
- **Lower Expense Record**—The fund's Class A expense ratio was **31% lower** than its Lipper Class A peer group average, as of June 30, 2013.[17]

THE RESULTS

- The fund's Class A shares had a **distribution rate of 3.96% and a taxable equivalent distribution rate of 7.00%** as of August 31, 2013.[14]
- The fund, Class A without sales charge, has delivered a **positive average annual total return in every five-year period** since inception.[11]

Please remember, figures reflect past performance which does not guarantee future results.

Please refer to page 8 for standardized fund performance information.

11. The fund's inception date was 10/7/83; 1984 was the first full year of performance.

12. Class A: On 5/1/94, these shares implemented a Rule 12b-1 plan, which affects subsequent performance. Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual returns would have differed.

13. The 30-Day Standardized Yield reflects an estimated yield to maturity. It should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders. Taxable equivalent yield assumes the maximum regular federal income tax rate and the Medicare tax in effect on January 2013.

14. Distribution rate is based on an annualization of the fund's 08/13 dividend and maximum offering price per share on 8/31/13. Taxable equivalent distribution rate assumes the maximum regular federal income tax rate and the Medicare tax in effect on June 2013.

15. Dividends are generally subject to state and local taxes, if any. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

16. As of 6/30/13.

17. Source: Lipper® Inc. Lipper figures do not include sales charges. Past performance does not guarantee future results.

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VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME | **TAX-FREE INCOME**

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Franklin Federal Tax-Free Income Fund

Symbols:

Class A: FKTIX

Class C: FRFTX

Advisor: FAFTX

This brochure must be preceded or accompanied by a current Franklin Federal Tax-Free Income Fund summary prospectus and/or prospectus. Please carefully read a prospectus before you invest or send money. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The fund's performance will be updated each quarter with standardized performance figures and ranking information, if quoted.

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