

**Fund Fact Sheet | Share Classes: A, C**
**Fund Description**

The fund seeks to provide investors with as high a level of income exempt from federal income taxes and North Carolina personal income taxes as is consistent with prudent investment management and the preservation of shareholders' capital.

**Fund Overview**

<b>Total Net Assets [All Share Classes]</b>	\$853 million
<b>Fund Inception Date</b>	9/1/1987
<b>Dividend Frequency</b>	Monthly, on or near the last business day
<b>Number of Holdings</b>	136

**Share Class Information**

Share Class	CUSIP	NASDAQ Symbol
Advisor	354 723 173	FNCZX
A	354 726 788	FQNCX
C	354 723 538	FNCIX
R6	354 724 478	FNCQX

**Fund Management**

	Years with Firm	Years of Experience
Stella S. Wong	38	35
Carrie Higgins	29	29

**Maximum Sales Charge**

**Class A:** 3.75% initial sales charge  
**Class C:** 1.00% contingent deferred sales charge (CDSC) in the first year only

**Total Annual Operating Expenses**

Share Class	
A	0.83%
C	1.23%

**30-Day Standardized Yield**

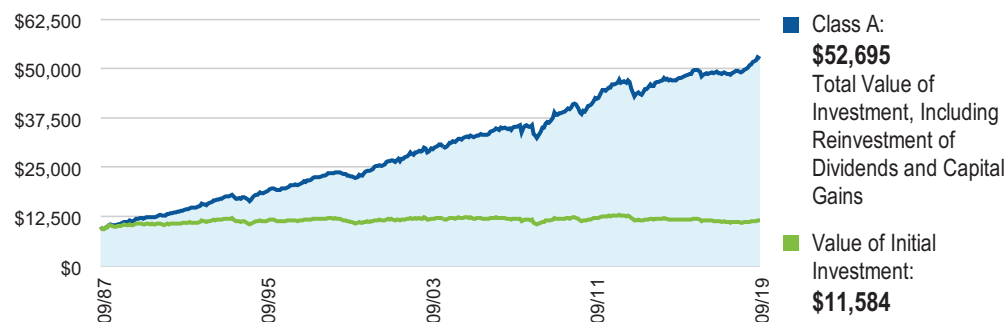
Share Class	
A	0.86%
C	0.51%

**Taxable Equivalent Yield**

Share Class	
A	1.59%
C	0.95%

**Asset Allocation (%)**

Fixed Income	99.56
Cash & Cash Equivalents	0.44

**Performance**
**Growth of a \$10,000 Investment - Without Sales Charge (from 09/01/1987-09/30/2019)**

**Total Returns % (as of 9/30/2019)**

Share Class		YTD	AVERAGE ANNUAL						Since Inception	Inception Date
			1 Yr	3 Yrs	5 Yrs	10 Yrs				
A	With Sales Charge	1.74	2.68	0.66	1.65	2.64	5.19	9/1/1987		
A	Without Sales Charge	5.71	6.68	1.95	2.43	3.03	5.32	9/1/1987		
C	With Sales Charge	4.31	5.26	1.45	1.90	2.48	3.91	5/1/1995		
C	Without Sales Charge	5.31	6.26	1.45	1.90	2.48	3.91	5/1/1995		

**Calendar Year Total Returns % - Without Sales Charge**

Share Class	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A	1.21	1.55	1.14	1.55	8.67	-6.76	6.97	11.40	0.83	17.01
C	0.69	1.05	0.57	1.06	8.06	-7.26	6.37	10.63	0.36	16.38

Share Class	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
A	-6.67	2.07	4.88	4.04	4.95	4.95	9.28	4.88	11.58	-4.31
C	-7.18	1.60	4.24	3.44	4.42	4.40	8.70	4.39	10.95	-4.82

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

If the sales charge had been included, the return would have been lower.

**Fund Measures**

AMT Exposure	0.38
Average Duration	4.52 Years
Average Weighted Maturity	16.80 Years
Standard Deviation (3 Yrs) - Class A	2.50%

**Composition of Fund**

Sector	% of Total	State / U.S. Territory Exposure	% of Total
Higher Education	20.63	North Carolina	97.04
Hospital & Health Care	19.69	Puerto Rico	2.96
Refunded	19.35		
Utilities	17.33		
Transportation	9.26		
General Obligation Bonds	7.57		
Housing	3.47		
Subject to Government Appropriation	1.94		
Corporate Backed	0.31		
Cash & Cash Equivalents	0.44		

**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. Because the fund invests principally in a single state, it is subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified fund. Puerto Rico municipal bonds have been impacted by recent adverse economic and market changes, which may cause the fund's share price to 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.

**Glossary**

**AMT Exposure:** Percentage of a fund's assets invested in bonds with income subject to the alternative minimum tax (AMT). For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

**Average Duration:** A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. The weighted average duration of a fund reflects the effective duration of the underlying issues, based on the size of each holding.

**Average Weighted Maturity (Tax Free):** An estimate of the number of years to maturity, taking the possibility of early payments into account, for the underlying holdings.

**Standard Deviation:** A measure of the degree to which a fund's return varies from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that a fund's performance will fluctuate from the average return.

**Important Information**

*Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.*

Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains may be taxable.

**Performance:** The fund offers other share classes subject to different fees and expenses, which will affect their performance.

Class A: Prior to 3/1/19, these shares were offered at a higher initial sales charge of 4.25%; thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 3.75%. Effective 9/10/18, Class A shares closed to new investors, were renamed Class A1 shares, and a new Class A share with a different expense structure became available. Class A performance shown has been calculated as follows: (a) for periods prior to 9/10/18, a restated figure is used based on the fund's Class A1 performance and including any Rule 12b-1 rate differential as exists between Class A1 and Class A; and (b) for periods after 9/10/18, actual Class A performance is used, reflecting all charges and fees applicable to that class. 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.

**30-Day Standardized Yield:** The fund's 30-day standardized yield is calculated over a trailing 30-day period using the yield to maturity on bonds and/or the dividends accrued on stocks. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

**Taxable Equivalent Yield:** The Taxable Equivalent Yield assumes the maximum regular federal income tax rate, maximum state personal income tax, and Medicare tax in effect on June 2019.

**Composition of Fund:** Percentage may not equal 100% due to rounding.

Uninvested cash is not included in the State / U.S. Territory Exposure table.