



FRANKLIN TEMPLETON
INVESTMENTS

Franklin Federal Intermediate-Term Tax-Free Income Fund

Tax-Free Income
December 31, 2014

Fund Fact Sheet

Fund Description

The fund seeks to provide investors with as high a level of income exempt from federal income taxes as is consistent with prudent investment management and the preservation of shareholders' capital. The fund maintains a dollar-weighted average portfolio maturity of three to 10 years.

Fund Overview

Total Net Assets [All Share Classes] \$4,471 million
Fund Inception Date 9/21/1992
Dividend Frequency Monthly, on or near the last business day
Number of Holdings 524

Share Class Information

| Share Class | CUSIP | NASDAQ Symbol |
|-------------|-------------|---------------|
| A | 354 723 710 | FKITX |
| C | 354 723 298 | FCITX |
| Advisor | 354 723 215 | FITZX |

Fund Management

| | Years with Firm | Years of Experience |
|-----------------|-----------------|---------------------|
| John Pomeroy | 28 | 28 |
| James Conn, CFA | 17 | 27 |

30-Day Standardized Yield

| Share Class | Yield |
|-------------|-------|
| A | 1.21% |
| C | 0.68% |

Taxable Equivalent Yield

| Share Class | Yield |
|-------------|-------|
| A | 2.14% |
| C | 1.20% |

Maximum Sales Charge

Class A: 2.25% initial sales charge
Class C: 1.00% contingent deferred sales charge (CDSC) in the first year only

Total Annual Operating Expenses

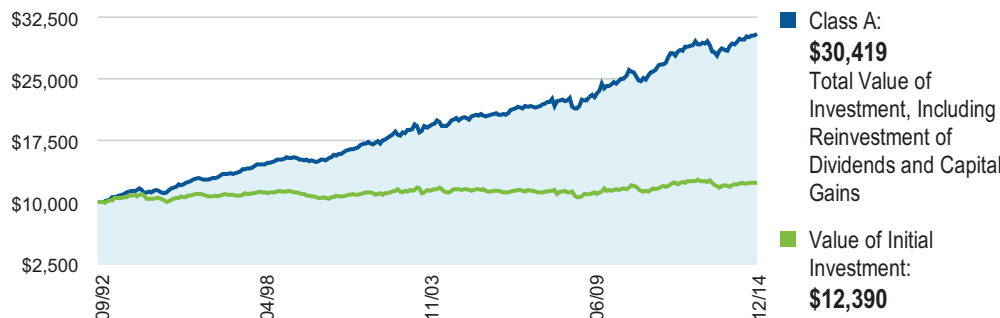
| Share Class | Expense |
|-------------|---------|
| A | 0.65% |
| C | 1.20% |

Asset Allocation (%)

| | |
|-------------------------|-------|
| Fixed Income | 95.29 |
| Cash & Cash Equivalents | 4.71 |

Performance

Growth of a \$10,000 Investment - Without Sales Charge (from 09/21/1992-12/31/2014)



Total Returns % (as of 12/31/2014)

| Share Class | YTD | AVERAGE ANNUAL | | | | | Since Inception | Inception Date |
|------------------------|------|----------------|------|-------|-------|--------|-----------------|----------------|
| | | CUMULATIVE | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | | |
| A With Sales Charge | 4.49 | 4.49 | 2.45 | 4.28 | 3.92 | 5.01 | 9/21/1992 | |
| A Without Sales Charge | 6.86 | 6.86 | 3.23 | 4.76 | 4.16 | 5.12 | 9/21/1992 | |
| C With Sales Charge | 5.26 | 5.26 | 2.65 | 4.19 | 3.58 | 3.47 | 7/1/2003 | |
| C Without Sales Charge | 6.26 | 6.26 | 2.65 | 4.19 | 3.58 | 3.47 | 7/1/2003 | |

Calendar Year Total Returns % - Without Sales Charge

| Share Class | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|-------------|------|-------|------|-------|------|-------|-------|------|------|-------|
| A | 6.87 | -2.49 | 5.56 | 11.21 | 3.15 | 11.16 | -2.36 | 3.25 | 4.07 | 2.15 |
| | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
| | 3.70 | 5.35 | 8.94 | 5.57 | 7.40 | -1.84 | 5.80 | 7.68 | 4.30 | 14.42 |

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 for the most recent month-end performance.

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

Top 5 Holdings (% of Total)

| Security Name | Weight |
|--|--------|
| Washington State GO, Refunding, Series R-2015C, 5.00%, 7/01/27 | 1.52 |
| Arizona State COP, Department of Administration, Series A, AGMC Insured, 5.25%, 10/01/22 | 1.06 |
| Citizens Property Insurance Corp. Revenue, High-Risk Account, senior secured, Series A-1, 5.00%, 6/01/16 | 0.96 |
| Pennsylvania State Turnpike Commission Turnpike Revenue, Series B, 5.00%, 12/01/19 | 0.84 |
| Washington State GO, Motor Vehicle Fuel Tax, Refunding, Series B, 5.00%, 7/01/25 | 0.82 |

Fund Measures

| | |
|---|------------|
| AMT Exposure | 0.00 |
| Average Duration | 5.01 Years |
| Average Weighted Maturity | 8.00 Years |
| Standard Deviation (3 Yrs) | 3.61 |
| Beta (3 Yrs; vs. Barclays 10-Year Municipal Bond Index) | 0.96 |

Composition of Fund

■ Franklin Federal Intermediate-Term Tax-Free Income Fund

| Sector | % of Total | State / U.S. Territory Exposure | % of Total |
|-------------------------------------|------------|---------------------------------|------------|
| General Obligation Bonds | 22.35 | New York | 9.23 |
| Utilities | 20.68 | Texas | 9.21 |
| Transportation | 15.04 | California | 9.16 |
| Subject to Government Appropriation | 14.52 | Florida | 8.74 |
| Tax Supported Debt | 7.58 | New Jersey | 7.26 |
| Hospital & Health Care | 6.03 | Ohio | 6.71 |
| Other Revenue Bonds | 4.48 | Pennsylvania | 5.56 |
| Higher Education | 2.73 | Arizona | 5.35 |
| Cash & Cash Equivalents | 4.71 | Washington | 4.44 |
| Other | 1.89 | Puerto Rico | 0.59 |
| | | Other | 33.75 |

Morningstar Rating™—Class A

Overall Morningstar Rating™ As of December 31, 2014 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™, measuring risk-adjusted returns against 268, 230 and 166 U.S.-domiciled Muni National Interm funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.



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. 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.

Average Weighted Maturity: An estimate of the number of terms of maturity, taking the possibility of early payments into account, for the underlying holdings.

Beta: A measure of the fund's volatility relative to the market, as represented by the stated Index. A beta greater than 1.00 indicates volatility greater than the market.

Standard Deviation: A measure of risk; the larger the standard deviation, the greater the likelihood (and risk) that a fund's performance will fluctuate.

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.

Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

Fund Management: CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

30-Day Standardized Yield: 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: The Taxable Equivalent Yield assumes the maximum regular federal income tax rate and the Medicare tax in effect on December 2014.

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

Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual returns would have differed. Class C Shares have higher annual fees and expenses than Class A Shares.

Top 5 Holdings: The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

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

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

Overall Morningstar Rating™: Source: Morningstar® 12/31/14. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk free rate, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Class A shares of Franklin Federal Intermediate-Term Tax-Free Income Fund received a traditional Morningstar Rating of 3, 3 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. The Morningstar Rating™ may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure. **Past performance does not guarantee future results.** ©2015 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and 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.