FRANKLIN TEMPLETON INVESTMENTS

Franklin Tax-Free Income Funds

INVEST WITH A TAX-FREE LEADER

Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.[1] We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/14. Clients are represented by the total number of shareholder accounts.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Why Invest in Municipal Bonds?

Tax Savings, Attractive Taxable Equivalent Yields, Diversification Potential

Most financial professionals agree: The best way to reach a financial goal is with a diversified portfolio that includes both stocks and bonds. But with so many different types of bonds available, how do you know which ones make the most sense for your portfolio?

Unlike other types of bonds, municipal bonds are unique because the interest paid to bondholders is generally free from regular federal income tax and, in many cases, state and local income taxes.[2]

*"Municipal bonds have helped **diversify our portfolio and provided balance** in times of market volatility."*

*"We're investing for **current income** for the short term and **capital preservation** for the long term. Municipal bonds are helping us meet both objectives."*

*"The income we earn from municipal bonds has helped us **supplement our retirement savings.**"*

The investor profiles above are not intended to serve as investment recommendations. Investors should consult their financial advisor to identify investments that best match their personal financial objectives.

What Are the Risks?

All investments involve risks, including possible loss of principal. Municipal bonds are affected by interest rate movements. Municipal bond prices, and thus, a tax-free income fund's share price, generally move in the opposite direction of interest rates. As the prices of the municipal bonds in a fund portfolio adjust to a rise in interest rates, the fund's share price may decline. The fund holds a small portion of its assets in Puerto Rico municipal bonds that 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. For more detailed information about risk, please review a current Franklin tax-free income fund prospectus.

2. For investors subject to the alternative minimum tax, all or a portion of the investment may be taxable, depending on the investment. Distributions of capital gains are generally taxable.

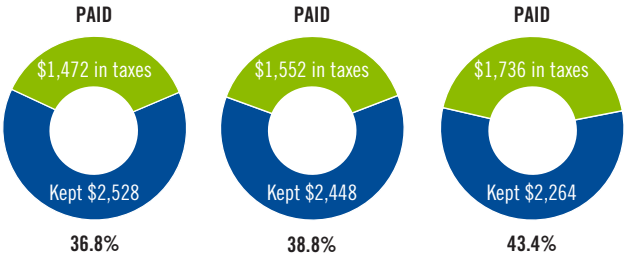
What Are the Benefits of Municipal Bonds?

1 | Keep More of What You Earn

Municipal bonds provide income that is generally free from regular federal income tax and, depending on the issuer, state and local income taxes as well. Thus, even though municipal bond yields have typically been lower than taxable fixed income alternatives, you may be able to keep more of what you earn after taxes with tax-free municipal bonds, as shown in the charts below.[2]

THE TAX DILEMMA[3]

Hypothetical Investment for a 1-Year Period
$100,000 in a *taxable* investment yielding 4.00%
Earned $4,000



FEDERAL INCOME TAX RATES

THE TAX-FREE SOLUTION[3]

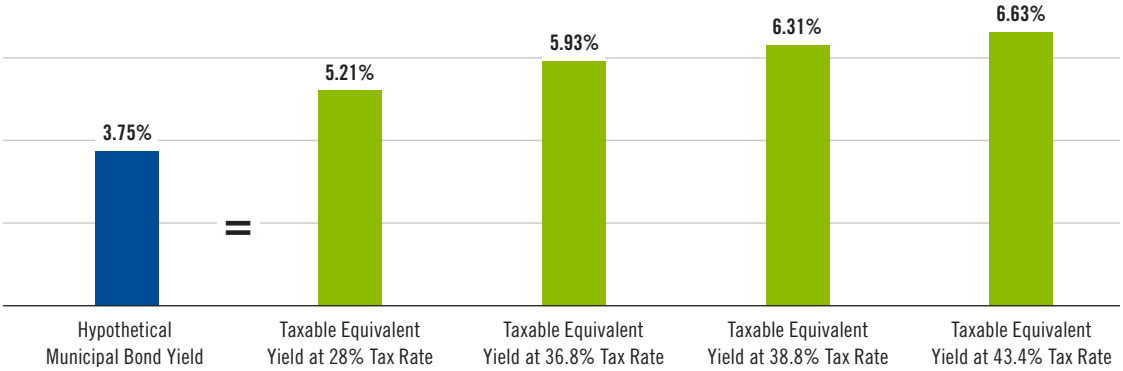
Hypothetical Investment for a 1-Year Period
$100,000 in a *tax-free* investment yielding 3.75%
Earned $3,750

ALL FEDERAL TAX RATES

2 | Attractive Taxable Equivalent Yields

On a taxable equivalent basis, municipal bonds may offer yields that are higher than taxable fixed income alternatives. The taxable equivalent yield shows how much more you would have to earn from a taxable bond to compensate for taxes in order to equal the yield of a tax-free municipal bond.

A 3.75% Yield from a Municipal Bond Equals These Taxable Equivalent Yields[3,4]



The charts above are for illustrative purposes only and do not reflect the performance of any Franklin Templeton fund. There is no guarantee that after-tax returns of municipal bonds will be greater than those of taxable investments. The charts do not reflect state and local income taxes and the alternative minimum tax, if any.

3. Hypothetical yields are for illustrative purposes only. Fund dividends and share price will vary with market conditions. The combined tax rates are based on the stated regular federal income tax rates and the 3.8% Medicare tax applicable to the 33% and higher federal tax rates. They are based on published rates in effect on December 2014.

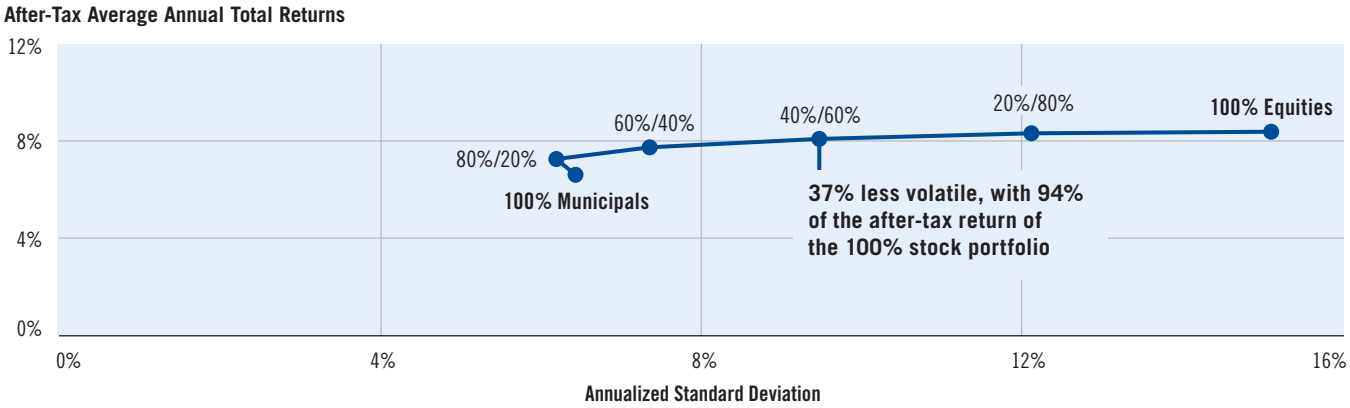
4. Source: © 2015 Morningstar (S&P 500 Index, Barclays Long-Term Municipal Bond Index). All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance does not guarantee future results. Indexes are unmanaged, and one cannot invest directly in an index. After-tax returns assume a 20% annual turnover rate transacted monthly. Investment income and capital gains are taxed at historical marginal tax rates consistent with those experienced by individuals earning $100,000 annually. Capital losses are carried forward to offset capital gains in future months. Distributions of capital gains are generally taxable. Effective tax rates for long-term taxable gains are as follows: 1993–April 1997=28%; May 1997–May 2003=20%; June 2003–December 2014=15%. For investors subject to the alternative minimum tax, all or a portion of the investment may be taxable, depending on the investment. This information is for illustrative purposes only and does not reflect any Franklin Templeton fund performance.

3 | A Key Component of a Diversified Portfolio

Because stocks and bonds generally have a low correlation to one another, when stocks "zig," bonds tend to "zag." By allocating between both assets you can help lower the overall risk of your portfolio, while maintaining some of the upside potential of stocks. Please remember, past performance does not guarantee future results.

There is no guarantee that after-tax returns of municipal bonds will be greater than those of taxable investments. On a pre-tax basis, average annual total returns for stocks and municipal bonds were 9.85% and 6.74%, respectively, for the 20-year period ended December 31, 2014.[4]

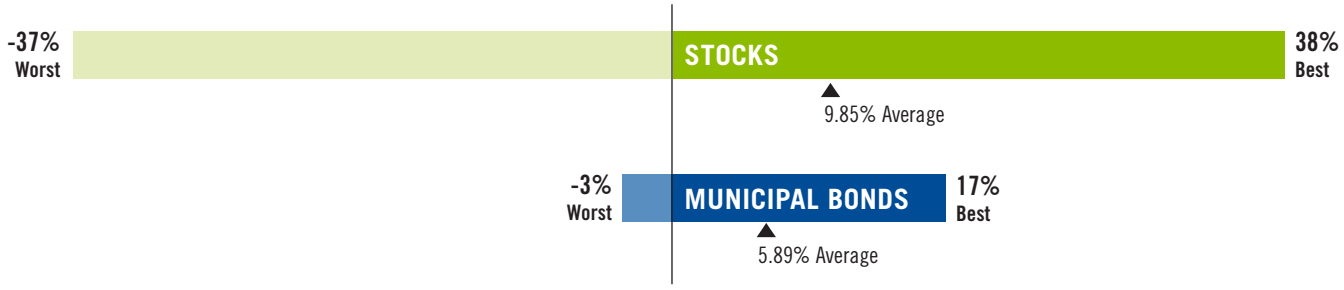
Municipal Bonds Have Historically Helped Reduced Risk[4,5]
20-Year Period Ended December 31, 2014



4 | Wealth Preservation

While municipal bonds' long-term gains have not been as substantial as those of stocks, they have historically experienced less downside risk.

Stocks and Municipal Bonds: Best and Worst Annual Total Returns[6]
20-Year Period Ended December 31, 2014



The charts above are for illustrative purposes only and do not reflect the performance of any Franklin Templeton fund. The results depicted do not reflect the fees and charges an investor would incur with an investment in a municipal bond fund, and if such costs were included, the performance shown would be lower.

5. Volatility, a measure of risk, is determined by the annualized standard deviation of monthly total returns. In general, the higher the standard deviation, the greater the risk.
6. Source: © 2015 Morningstar (S&P 500 Index, Barclays Municipal Bond Index). Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

The Advantages of Municipal Bond Funds

Municipal bond funds offer investors seeking tax-free income several key advantages, including:

Professional Management

Portfolio managers generally have the experience and resources to effectively navigate the vast and complex municipal bond market.

Diversification Potential

Because municipal bond funds typically hold many municipal bonds, they can offer instant diversification. To achieve a similar degree of diversification with a portfolio of individual bonds would require a sizeable financial commitment.

Monthly Dividends

While most individual municipal bonds make only semiannual interest payments, municipal bond funds generally distribute dividend income monthly.

Distribution Options

You typically have three options—receive your monthly dividends by check or direct deposit, reinvest your dividends to benefit from tax-free compounding or redirect your dividends into other investments. Individual bonds don't offer such flexibility.

Accessibility and Convenience

Municipal bond funds may offer you access to municipal bonds that could be unavailable for you to purchase directly. The funds also allow you to buy or sell shares daily, and in some cases, make automatic investments and withdrawals from your account on a monthly basis.

"Municipal bond funds help me keep more of what I earn."

At Franklin Templeton, we encourage you to work with your financial advisor to determine if municipal bond funds make sense for you. Sales charges, management fees, Rule 12b-1 fees and other expenses are associated with Franklin Templeton mutual fund investments. These fees and expenses reduce investment returns. The funds are offered through prospectuses, which contain detailed information about a fund's sales charges, expenses and risks.

Invest with a Tax-Free Leader

Experience

Franklin has been managing tax-free income funds since 1977. Today, we're one of the largest municipal bond fund managers in the nation,[7] and have more than $73 billion in municipal bond fund assets under management.[8]

Strength

We have a large tax-free investment management team—32 municipal bond investment professionals with an average of 19 years of financial industry experience.[8] Their experience helps us identify opportunities and indications of risk that others might miss. We believe this is critical given the vast size of the municipal bond market, with more than 110,000 municipal issuers and nearly one million separate bond issues outstanding.[9]

Opportunity

Not all investors are alike. To help meet your individual investment needs, we offer over 30 tax-free funds, including national and state-specific, investment-grade and high-yield, and long-, intermediate- and limited-term funds. All Franklin tax-free income funds seek to provide monthly income exempt from regular federal and, depending on the fund and the investor's state of residency, state and local income taxes.[10]

7. Source: Strategic Insight, ICI as of 12/31/14. Based on long-term municipal bond fund assets.
8. As of 12/31/14. Municipal bond assets under management figure includes U.S. retail municipal bond fund assets and separately managed accounts.
9. Source: Bloomberg as of 12/31/14. Most recent data available.
10. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

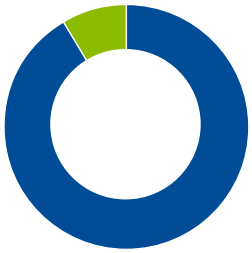
Franklin's Municipal Bond Investment Strategy

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[11]

Barclays Municipal Bond Index
20-Year Period Ended December 31, 2014



	% OF TOTAL RETURN
Income	**91.5%**
Appreciation on Initial Investment	8.5%

This chart is for illustrative purposes only and does not represent the performance of any Franklin Templeton 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, Franklin tax-free income funds do not use leverage or invest in derivatives, which can increase volatility in municipal bond portfolios.

"The Franklin municipal bond team is committed to a conservative, disciplined investment strategy. For over 30 years, we have worked to provide shareholders with tax-free income while preserving capital."

SHEILA AMOROSO AND RAFAEL COSTAS
Co-Directors of Franklin's Municipal Bond Department

11. Source: Barclays, 12/31/14. Total return includes compounded income and capital appreciation. Indexes are unmanaged, and one cannot invest directly in an index.

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

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.

Earn Monthly Tax-Exempt Income with Franklin's National Tax-Free Funds

Funds to Meet Your Needs[12]	Franklin Federal Limited-Term Tax-Free Income Fund[18]	Franklin Federal Intermediate-Term Tax-Free Income Fund
Description	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 five years or less.[16] Class A Symbol: **FFTFX** Inception Date: **9/2/03** Assets:[13] **$1.1 billion**	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 ten years. Class A Symbol: **FKITX** Inception Date: **9/21/92** Assets:[13] **$4.5 billion**
Diversified Portfolios[13]	Number of Holdings **251** Average Weighted Maturity **2.9 years** AMT Exposure **0.00%** **Sector Breakdown[13]** General Obligation Bonds 29.37% Utilities 13.78% Transportation 13.11% Subject to Government Appropriation 8.14% Refunded 7.53% Other Revenue Bonds 7.16% Higher Education 7.00% Tax Supported Debt 5.32% Hospital & Health Care 3.80% Housing 0.89% Corporate Backed Bonds 0.46% Cash & Equivalents 3.43%	Number of Holdings **524** Average Weighted Maturity **8.0 years** AMT Exposure **0.00%** **Sector Breakdown[13]** General Obligation Bonds 22.35% Utilities 20.68% Transportation 15.04% Subject to Government Appropriation 14.52% Tax Supported Debt 7.58% Hospital & Health Care 6.03% Other Revenue Bonds 4.48% Higher Education 2.73% Refunded 1.88% Housing 0.01% Cash & Equivalents 4.71%
Relatively Low Volatility[14]	**STANDARD DEVIATION** Class A 1.51% Lipper Average 1.54%	**STANDARD DEVIATION** Class A 4.38% Lipper Average 3.79%
Relatively Low Expenses[15]	**GROSS EXPENSE RATIO** Class A 0.84% Lipper Average Class A 0.84% Lipper Classification: Short Municipal Debt Funds	**GROSS EXPENSE RATIO** Class A 0.65% Lipper Average Class A 0.77% Lipper Classification: Intermediate Municipal Debt Funds

12. 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.

13. As of 12/31/14. Due to rounding, the sum of portfolio holdings may not equal 100%. From time to time, the Cash & Cash Equivalents/Money Market Funds, as applicable, may reflect a negative position in cash as result of the time required to settle securities transactions, which temporarily affected cash and securities balances. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com.

14. Source: © 2015 Lipper, Inc., 12/31/14. All Rights Reserved. The Lipper Classification Average is based on the performance of all share classes of all funds within a Lipper Classification. Volatility is measured by the 10-year annualized standard deviation of monthly total returns. In general, the higher the standard deviation, the greater the volatility. Past performance does not guarantee future results.

As of December 31, 2014

Franklin Federal Tax-Free Income 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.

Class A Symbol: **FKTIX**
Inception Date: **10/7/83**
Assets:[13] **$11.4 billion**

Number of Holdings	**810**
Average Weighted Maturity	**18.7 years**
AMT Exposure	**1.43%**

Sector Breakdown[13]

Utilities	16.95%
General Obligation Bonds	15.62%
Transportation	13.97%
Subject to Government Appropriation	11.49%
Hospital & Health Care	10.04%
Refunded	8.70%
Higher Education	6.43%
Tax Supported Debt	5.76%
Other Revenue Bonds	5.31%
Corporate Backed Bonds	1.12%
Housing	0.73%
Cash & Equivalents	3.88%

STANDARD DEVIATION

Class A 4.84%
Lipper Average 5.37%

GROSS EXPENSE RATIO

Class A 0.62%
Lipper Average Class A 0.88%

Lipper Classification:
General & Insured Municipal Debt Funds

Franklin High Yield Tax-Free Income Fund

Seeks to provide investors with a high current yield exempt from federal income taxes. Its secondary goal is capital appreciation to the extent possible and consistent with the fund's principal investment goal. The fund may invest in securities in any rating category.

Class A Symbol: **FRHIX**
Inception Date: **3/18/86**
Assets:[13] **$8.4 billion**

Number of Holdings	**694**
Average Weighted Maturity	**20.7 years**
AMT Exposure	**5.23%**

Sector Breakdown[13]

Utilities	19.30%
Transportation	16.50%
Hospital & Health Care	16.12%
Tax Supported Debt	9.21%
General Obligation Bonds	9.18%
Refunded	6.98%
Subject to Government Appropriation	6.08%
Corporate Backed Bonds	4.98%
Other Revenue Bonds	4.43%
Higher Education	2.09%
Housing	1.07%
Cash & Equivalents	4.05%

STANDARD DEVIATION

Class A 6.50%
Lipper Average 7.66%

GROSS EXPENSE RATIO

Class A 0.63%
Lipper Average Class A 0.88%

Lipper Classification:
High Yield Municipal Debt Fund

ADDITIONAL OPPORTUNITIES FOR TAX-EXEMPT INCOME

Franklin State-Specific Funds[16]

- Alabama
- Arizona
- California (4 funds)
- Colorado
- Connecticut
- Florida
- Georgia
- Kentucky
- Louisiana
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- New Jersey
- New York[17] (2 funds)
- North Carolina
- Ohio
- Oregon
- Pennsylvania
- Tennessee
- Virginia

TO FIND OUT MORE about Franklin tax-free income funds, national or state-specific, please ask your financial advisor. Or call us at **(800) DIAL BEN/342-5236** to receive a free fund fact sheet and summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information. Please carefully read a prospectus before investing.

15. Source: Lipper, Inc., 12/31/14. Past performance does not guarantee future results.
16. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
17. Although the funds have the ability to invest up to 20% of their assets in bonds subject to the alternative minimum tax, the funds seek to maintain a 0% AMT exposure. Exposures are subject to change. Distributions of capital gains are generally taxable.
18. Effective March 1, 2013, the fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).

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- 529 College Savings Plans
- Separately Managed Accounts

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.*

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