

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 28229; 812-13500]

Franklin California Tax-Free Income Fund, et al.; Notice of Application

March 31, 2008

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of an application under section 6(c) of the Investment Company Act of 1940 (“Act”) for an exemption from rule 12d1-2(a) under the Act.

Summary of Application: Applicants request an order to permit funds of funds relying on rule 12d1-2 under the Act to invest in certain financial instruments.

Applicants: Franklin California Tax-Free Income Fund, Franklin California Tax-Free Trust, Franklin Capital Growth Fund, Franklin Custodian Funds, Franklin Federal Tax-Free Income Fund, Franklin Floating Rate Master Trust, Franklin Global Trust, Franklin Gold And Precious Metals Fund, Franklin High Income Trust, Franklin Investors Securities Trust, Franklin Managed Trust, Franklin Municipal Securities Trust, Franklin Mutual Recovery Fund, Franklin Mutual Series Fund Inc., (“FMSF”), Franklin New York Tax-Free Income Fund, Franklin New York Tax-Free Trust, Franklin Real Estate Securities Trust, Franklin Strategic Mortgage Portfolio, Franklin Strategic Series, Franklin Tax-Free Trust, Franklin Templeton Global Trust, Franklin Templeton International Trust, Franklin Templeton Variable Insurance Products Trust, Franklin Value Investors Trust, Institutional Fiduciary Trust, Templeton China World Fund, Templeton Developing Markets Trust, Templeton Funds, Templeton Global Investment Trust, Templeton Global Opportunities Trust, Templeton Global Smaller Companies Fund, Templeton Growth Fund, Inc. (“TGF”), Templeton Income Trust, Templeton Institutional Funds, Inc.

(“TIFI”)(collectively, “Funds”), Franklin Advisers, Inc., Franklin Investment Advisory Services, LLC, Franklin Advisory Services, LLC, Fiduciary International, Inc., Franklin Templeton Investments Corp., Franklin Templeton Institutional, LLC, Franklin Templeton Investment Management Limited, Franklin Mutual Advisers, LLC, Templeton Investment Counsel, LLC, Templeton Global Advisors Limited, Templeton Asset Management Ltd. (collectively, “Managers”) and Franklin/Templeton Distributors, Inc. (“FTDI”).

Filing Date: The application was filed on February 22, 2008.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on April 25, 2008 and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer’s interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

Addresses: Secretary, Commission, 100 F Street, NE, Washington, DC 20549-1090; Applicants, One Franklin Parkway, San Mateo, California 94403-1906.

For Further Information Contact: Lewis Reich, Senior Counsel, at (202) 551-6919, or Nadya B. Roytblat, Assistant Director, at (202) 551-6821 (Division of Investment Management, Office of Investment Company Regulation).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 100 F Street, NE, Washington, DC 20549-1520 (telephone (202) 551-5850).

Applicants' Representations:

1. Each Fund is organized as a Delaware statutory trust or a Massachusetts business trust (except FMSF, TGF and TIFI, which are Maryland corporations) and is registered under the Act as an open-end management investment company. Each Manager is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"), is a direct or indirect wholly owned subsidiary of Franklin Resources, Inc., and serves as the investment manager for one or more Funds and directly manages their assets. FTDI, a wholly owned subsidiary of Franklin Resources, Inc, serves as principal underwriter of the Funds' shares, and is registered as a broker-dealer under the Securities Exchange Act of 1934 ("Exchange Act"). Applicants request an exemption to the extent necessary to permit the Funds and their existing and future series and any other existing or future registered open-end management investment companies and their series that are in the same group of investment companies, as defined in section 12(d)(1)(G) of the Act, as the Funds (included in the term "Funds") that may invest in other Funds ("Underlying Funds") in reliance on rule 12d1-2 under the Act to also invest in other financial instruments that may not be securities within the meaning of section 2(a)(36) of the Act ("Other Investments") consistent with their investment objectives, policies, strategies and limitations.

Applicants' Legal Analysis:

1. Section 12(d)(1)(A) of the Act provides that no registered investment company ("acquiring company") may acquire securities of another investment company ("acquired company") if such securities represent more than 3% of the acquired company's outstanding voting stock or more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other investment companies, represent more than 10% of the

acquiring company's total assets. Section 12(d)(1)(B) of the Act provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Section 12(d)(1)(G) of the Act provides that section 12(d)(1) will not apply to securities of an acquired company purchased by an acquiring company if: (i) the acquiring company and acquired company are part of the same group of investment companies; (ii) the acquiring company holds only securities of acquired companies that are part of the same group of investment companies, government securities, and short-term paper; (iii) the aggregate sales loads and distribution-related fees of the acquiring company and the acquired company are not excessive under rules adopted pursuant to section 22(b) or section 22(c) of the Act by a securities association registered under section 15A of the Exchange Act or by the Commission; and (iv) the acquired company has a policy that prohibits it from acquiring securities of registered open-end management investment companies or registered unit investment trusts in reliance on section 12(d)(1)(F) or (G) of the Act.

3. Rule 12d1-2 under the Act permits a registered open-end investment company or a registered unit investment trust that relies on section 12(d)(1)(G) of the Act to acquire, in addition to securities issued by another registered investment company in the same group of investment companies, government securities, and short-term paper: (1) securities issued by an investment company that is not in the same group of investment companies, when the acquisition is in reliance on section 12(d)(1)(A) or 12(d)(1)(F) of the Act; (2) securities (other than securities issued by an investment company); and (3) securities issued by a money market fund, when the

investment is in reliance on rule 12d1-1 under the Act. For the purposes of rule 12d1-2, “securities” means any security as defined in section 2(a)(36) of the Act.

4. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction from any provision of the Act, or from any rule under the Act, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the Act.

5. Applicants state that the proposed arrangement would comply with the provisions of rule 12d1-2 under the Act, but for the fact that the Funds may invest a portion of their assets in Other Investments. Applicants request an order under section 6(c) of the Act for an exemption from rule 12d1-2(a) to allow the Funds to invest in Other Investments. Applicants assert that permitting the Funds to invest in Other Investments as described in the application would not raise any of the concerns that the requirements of section 12(d)(1) were designed to address.

Applicants’ Conditions:

Applicants agree that the order granting the requested relief will be subject to the following conditions:

1. Prior to approving any investment advisory agreement under section 15 of the Act, the board of trustees of the appropriate Fund, including a majority of the trustees who are not “interested persons” as defined in section 2(a)(19) of the Act, will find that the advisory fees, if any, charged under the agreement are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to the advisory agreement of any Underlying Fund or any other registered investment company that is not in the same group of investment companies as the Fund, in which the Fund may invest. Such findings, and the basis upon which the findings are made, will be recorded fully in the minute books of the appropriate Fund.

2. Applicants will comply with all provisions of rule 12d1-2 under the Act, except for paragraph (a)(2), to the extent that it restricts any Fund from investing in Other Investments as described in the application.

For the Commission, by the Division of Investment Management, under delegated authority.

Florence E. Harmon

Deputy Secretary