

FRANKLIN UNIVERSAL TRUST  
Form DEF 14A  
February 08, 2017

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934  
(Amendment No.)

Filed by the Registrant  [X]  
Filed by a party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement
- [X] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Pursuant to Section.240-14a-12

FRANKLIN UNIVERSAL TRUST

(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement)

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No fee required

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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3) Filing Party:

4) Date Filed:

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**FRANKLIN UNIVERSAL TRUST**

**IMPORTANT SHAREHOLDER INFORMATION**

We have enclosed important information about the Annual Shareholders' Meeting (the "Meeting") of Franklin Universal Trust (the "Fund") scheduled for Friday, March 24, 2017, at 1:00 p.m., Pacific time. These materials discuss the proposal to be voted on at the Meeting, and contain the Notice of Meeting, proxy statement and proxy card. A proxy card is, in essence, a ballot. When you vote your proxy, it tells us how you wish to vote on important issues relating to the Fund. If you complete, sign and return the proxy card, we'll vote it as you indicated. If you simply sign, date and return the proxy card, but do not specify a vote on the proposal listed thereon, your proxy will be voted **FOR** the election of the nominees to the position of Trustee (the "Proposal").

**We urge you to spend a few minutes reviewing the Proposal in the proxy statement. Then, please fill out and sign the proxy card and return it to us in the enclosed postage-paid envelope so that we know how you would like to vote. When shareholders return their proxy cards promptly, the Fund may be able to save money by not having to conduct additional mailings. Returning your proxy card does not preclude you from attending the Meeting or later changing your vote prior to it being cast.**

We welcome your comments. If you have any questions, please call Fund Information at (800) DIAL BEN/342-5236.

**TELEPHONE AND INTERNET VOTING**

**For your convenience, you may be able to vote by telephone or through the Internet, 24 hours a day. If your account is eligible, separate instructions are enclosed.**



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**FRANKLIN UNIVERSAL TRUST**

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**NOTICE OF 2017 ANNUAL SHAREHOLDERS' MEETING**

The Annual Shareholders' Meeting (the "Meeting") of Franklin Universal Trust (the "Fund") will be held at the Fund's offices, One Franklin Parkway, San Mateo, California 94403, on Friday, March 24, 2017, at 1:00 p.m., Pacific time.

During the Meeting, shareholders of the Fund will vote on the following:

- The election of a Board of Trustees of the Fund; and
- Such other matters as may properly come before the Meeting.

The Board of Trustees has fixed January 13, 2017 as the record date for the determination of shareholders entitled to vote at the Meeting.

By Order of the Board of Trustees,

Karen L. Skidmore

*Vice President & Secretary*

San Mateo, California

Dated: February 10, 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL SHAREHOLDERS' MEETING TO BE HELD ON MARCH 24, 2017.**

The Fund's Notice of 2017 Annual Shareholders' Meeting, Proxy Statement, and form of proxy are available on the Internet at <https://www.proxyonline.com/docs/FUT2017.pdf>. The form of Proxy on the internet site cannot be used to cast your vote.

Please sign and promptly return your proxy card in the self-addressed envelope regardless of the number of shares you own.

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**FRANKLIN UNIVERSAL TRUST**

**PROXY STATEMENT**

***INFORMATION ABOUT VOTING***

***Who is asking for my vote?***

This proxy statement is for the Annual Shareholders' Meeting (the "Meeting") of Franklin Universal Trust (the "Fund"), which will be held at the Fund's offices, One Franklin Parkway, San Mateo, California 94403, on Friday, March 24, 2017, at 1:00 p.m., Pacific time. The Fund's Board of Trustees (the "Board" or the "Trustees") is unanimously asking you to vote **FOR** the election of your Board's eight nominees to the position of -Trustee (the "Proposal") by promptly completing, signing, dating and returning the enclosed proxy card.

***Who is eligible to vote?***

Shareholders of record at the close of business on January 13, 2017, are entitled to be present and to vote at the Meeting or any adjourned Meeting. Each share of record is entitled to one vote (and a proportionate fractional vote for each fractional share) on each matter presented at the Meeting. The Notice of Meeting, the proxy statement, and the proxy card were first mailed to shareholders of record on or about February 10, 2017.

***On what issue am I being asked to vote?***

You are being asked to vote on one Proposal:

- The election of a Board of Trustees of the Fund.

***How do the Fund's Trustees recommend that I vote?***

The Trustees unanimously recommend that you vote **FOR** the election of all nominees.

***How do I ensure that my vote is accurately recorded?***

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You may attend the Meeting and vote in person or you may complete and return the enclosed proxy card. If you are eligible to vote by telephone or through the Internet, separate instructions are enclosed.

Proxy cards that are properly signed, dated and received at or prior to the Meeting will be voted as specified. If you specify a vote for the Proposal, your proxy will be voted as you indicate. If you simply sign, date and return the proxy card, but don't specify a vote on the Proposal, your shares will be voted **FOR** the election of the nominees for the Board.

***May I revoke my proxy?***

You may revoke your proxy at any time before it is voted by forwarding a written revocation or a later-dated proxy to the Fund that is received by the Fund at or prior to the Meeting, or by attending the Meeting and voting in - person.

***What if my shares are held in a bank or brokerage account?***

If your shares are held by your bank or broker, then in order to vote in person at the Meeting, you will need to obtain a "Legal Proxy" from your bank or broker and present it to the Inspector of Election at the Meeting. Also, in order to revoke your proxy, you may need to forward your written revocation or a later-dated proxy card to your broker rather than to the Fund.

**~~THE~~PROPOSAL: ELECTION OF TRUSTEES**

***How are nominees selected?***

The Board has a Nominating Committee consisting of Harris J. Ashton, Mary C. Choksi, Edith E. Holiday, J. Michael Luttig, Larry D. Thompson and John B. Wilson, none of whom is an "interested person" of the Fund as defined by the Investment Company Act of 1940, as amended (the "1940 Act") Trustees who are not interested persons of the Fund are referred to as "Independent Trustees," and Trustees who are interested persons of the Fund are referred to as "Interested Trustees."

The Nominating Committee is responsible for selecting candidates to serve as Trustees and recommending such candidates (a) for selection and nomination as Independent Trustees by the incumbent Independent Trustees and the full Board; and (b) for selection and nomination as Interested Trustees by the full Board. In considering a candidate's qualifications, the Nominating Committee generally considers the potential candidate's educational background, business or professional experience, and reputation. In addition, the Nominating Committee has established as minimum qualifications for Board membership as an Independent Trustee (1) that such candidate be



independent from relationships with the Fund's investment manager and other principal service providers both within the terms and the spirit of the statutory independence requirements specified under the 1940 Act and the rules thereunder; (2) that such candidate demonstrate an ability and willingness to make the considerable time commitment, including personal attendance at Board meetings, believed necessary to his or her function as an effective Board member; and (3) that such candidate have no continuing relationship as a director, officer or board member of any U.S. registered investment company other than those within the Franklin Templeton Investments fund complex or a closed-end business development company primarily investing in non-public entities. The Nominating Committee has not adopted any specific policy on the issue of diversity but will take this into account, among other factors, in its consideration of new candidates to the Board.

When the Board has or expects to have a vacancy, the Nominating Committee receives and reviews information on individuals qualified to be recommended to the full Board as nominees for election as Trustees, including any recommendations by "Qualifying Fund Shareholders" (as defined below). Such individuals are evaluated based upon the criteria described above. To date, the Nominating Committee has been able to identify, and expects to continue to be able to identify, from its own resources an ample number of qualified candidates. The Nominating Committee will, however, review recommendations from Qualifying Fund Shareholders to fill vacancies on the Board if these recommendations are submitted in writing and addressed to the Nominating Committee at the Fund's offices and are presented with appropriate background material concerning the candidate that demonstrates his or her ability to serve as a Trustee, including as an Independent Trustee, of the Fund. A Qualifying Fund Shareholder is a shareholder who (i) has continuously owned of record, or beneficially through a financial intermediary, shares of the Fund having a net asset value of not less than two hundred and fifty thousand dollars (\$250,000) during the twenty-four month period prior to submitting the recommendation; and (ii) provides a written notice to the Nominating Committee containing the following information: (a) the name and address of the Qualifying Fund Shareholder making the recommendation; (b) the number of shares of the Fund that are owned of record and beneficially by such Qualifying Fund Shareholder and the length of time that such shares have been so owned by the Qualifying Fund Shareholder; (c) a description of all arrangements and understandings between such Qualifying Fund

Shareholder and any other person or persons (naming such person or persons) pursuant to which the recommendation is being made; (d) the name, age, date of birth, business address and residence address of the person or persons being recommended; (e) such other information regarding each person recommended by such Qualifying Fund Shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the U.S. Securities and Exchange Commission ("SEC") had the nominee been nominated by the Board; (f) whether the Qualifying Fund Shareholder making the recommendation believes the person recommended would or would not be an "interested person" of the Fund, as defined in the 1940 Act; and (g) the written consent of each person recommended to serve as a Trustee of the Fund if so nominated and elected/appointed.

The Nominating Committee may amend these procedures from time to time, including the procedures relating to the evaluation of nominees and the process for submitting recommendations to the Nominating Committee.

The Board has adopted and approved a formal written charter for the Nominating Committee. A copy of the charter is attached hereto as "Appendix A."

***Who are the Fund's Nominees and current members of the Board?***

The Fund's nominees and the current Trustees of the Fund are Harris J. Ashton, Mary C. Choksi, Edith E. Holiday, Gregory E. Johnson, Rupert H. Johnson, Jr., J. Michael Luttig, Larry D. Thompson and John B. Wilson. As described more fully below, these nominees have significant experience managing investment vehicles. Several of the Fund's nominees have been Trustees since the Fund was launched in 1988, and all are also on the Boards of other open-end and closed-end Franklin Templeton funds. They have had experience as senior officers and directors of major business corporations, and some have also held senior positions in state and federal government.

Interested Trustees of the Fund hold director and/or officer positions with Franklin Resources, Inc. ("Resources") and its affiliates. Resources is a publicly owned holding company, a principal shareholder of which is Rupert H. Johnson, Jr., who owned approximately 106,349,486 (approximately 18.79%) of its outstanding shares as of December 31, 2016. The shares deemed to be beneficially owned by Rupert H. Johnson, Jr. include certain shares held by a private charitable foundation or by his spouse, of which he disclaims beneficial ownership. Resources, a global investment management organization operating as Franklin Templeton Investments, is primarily engaged, through its various subsidiaries, in providing investment management, share distribution, transfer agent and administrative services to a family of investment companies. Resources is a New York Stock Exchange, Inc. ("NYSE") listed holding company (NYSE: BEN). Rupert H. Johnson, Jr., Chairman, Trustee and Senior Vice President of the Fund, is the uncle of Gregory E. Johnson, a Trustee of the Fund. There are no other family relationships among the Trustees or nominees for Trustees.





Each nominee is currently available and has consented to serve as Trustee of the Fund if elected. If any of the nominees should become unavailable, the designated proxy holders will vote in their discretion for another person or persons who may be nominated as Trustees.

In addition to personal qualities, such as integrity, in considering candidates for the Board, the Nominating Committee seeks to find persons of good reputation whose experience and background evidences that such person has the ability to comprehend, discuss and critically analyze materials and issues presented in exercising judgments and reaching informed conclusions relevant to the fulfillment of a Trustee's duties and fiduciary obligations. Information on the business activities of the nominees and other Trustees during the past five years and beyond appears below and it is believed that the specific background of each Trustee evidences such ability and it is appropriate for him or her to serve on the Board. As indicated in the table below, Harris J. Ashton served as chief executive officer of New York Stock Exchange listed public corporations; Larry D. Thompson and Edith E. Holiday each have legal backgrounds, including high level legal positions with departments of the U.S. government; John B. Wilson has served as chief operating officer of a New York Stock Exchange listed public corporation, as well as chief financial officer of a NASDAQ listed public corporation; J. Michael Luttig has fifteen years of judicial experience as a Federal Appeals Court Judge; Mary C. Choksi has served as the managing director of investment management firms; and Rupert H. Johnson, Jr. and Gregory E. Johnson are high ranking executive officers of Franklin Templeton Investments.

Listed below, for each nominee, is his or her name, year of birth and address, as well as position and length of service with the Fund, a brief description of recent professional experience, the number of portfolios in the Franklin Templeton Investments fund complex that he or she oversees, and other directorships held.

## Nominees for Independent Trustee

| Name, Year of Birth and Address | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During the Past 5 Years |
|---------------------------------|----------|-----------------------|--|--|
| Harris J. Ashton<br>(1932)      | Trustee  | Since 1988            | 142  | Bar-S Foods (meat packing company) (1981-2010).  |

One Franklin Parkway

San Mateo, CA  
94403-1906

### Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

|                          |         |            |     |  |
|--------------------------|---------|------------|-----|--|
| Mary C. Choksi<br>(1950) | Trustee | Since 2014 | 136 | Avis Budget Group Inc. (car rental) (2007-present),<br>Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and H.J. Heinz Company (processed foods and allied products) (1998-2006). |
|--------------------------|---------|------------|-----|--|

One Franklin Parkway

San Mateo, CA  
94403-1906

### Principal Occupation During at Least the Past 5 Years:

Senior Advisor, Strategic Investment Group (investment management group) (2015-present); director of various companies; **formerly**, Founding Partner and Senior Managing Director, Strategic Investment Group (1987–2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).



## Nominees for Independent Trustee

| Name, Year of Birth and Address  | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During the Past 5 Years  |
|--|----------|-----------------------|--|---|
| Edith E. Holiday (1952)<br><br>One Franklin Parkway<br><br>San Mateo, CA<br>94403-1906 | Trustee  | Since 2004            | 142  | Hess Corporation (exploration and refining of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (November 2016), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013). |

### Principal Occupation During at Least the Past 5 Years:

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).



## Nominees for Independent Trustee

| Name, Year of Birth and Address   | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During the Past 5 Years             |
|---|----------|-----------------------|--|--|
| J. Michael Luttig (1954)<br><br>One Franklin Parkway<br><br>San Mateo, CA<br>94403-1906 | Trustee  | Since 2009            | 142  | Boeing Capital Corporation (aircraft financing) (2006-2013). |

### Principal Occupation During at Least the Past 5 Years:

Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and **formerly**, Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).

|   |         |            |     |   |
|---|---------|------------|-----|---|
| Larry D. Thompson (1945)<br><br>One Franklin Parkway<br><br>San Mateo, CA<br>94403-1906 | Trustee | Since 2007 | 142 | The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012). |
|---|---------|------------|-----|---|

### Principal Occupation During at Least the Past 5 Years:

Director of various companies; John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).



## Nominees for Independent Trustee

| Name, Year of Birth and Address   | Position                 | Length of Time Served                                      | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|---|--------------------------|--|--|---|
| John B. Wilson<br>(1959)<br><br>One Franklin Parkway<br><br>San Mateo, CA<br>94403-1906 | Lead Independent Trustee | Trustee since 2006 and Lead Independent Trustee since 2008 | 116  | None  |

### Principal Occupation During at Least the Past 5 Years:

President, Staples Europe (office supplies) (2012-present); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly**, Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

## Nominees for Interested Trustee

| Name, Year of Birth and Address                          | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|--|----------|-----------------------|--|---|
| ***Gregory E. Johnson (1961)<br><br>One Franklin Parkway | Trustee  | Since 2013            | 158  | None  |



San Mateo, CA  
94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Chairman of the Board, Member - Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

## Nominees for Interested Trustee

| Name, Year of Birth and Address  | Position   | Length of Time Served   | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|--|--|---|--|---|
| **Rupert H. Johnson, Jr. (1940)<br>One Franklin Parkway<br>San Mateo, CA<br>94403-1906 | Chairman of the Board, Trustee and Senior Vice President | Chairman of the Board since 2013 and Trustee and Senior Vice President since 1988 | 142  | None  |

### Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton Investments.

\*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

\*\* Rupert H. Johnson, Jr. is considered to be an interested person of the Trust under the federal securities laws due to his positions as an officer and director and major shareholder of Franklin Resources, Inc. (Resources), which is the parent company of the Trust's investment manager.

\*\*\* Gregory E. Johnson is considered to be an interested person of the Trust under the federal securities laws due to his positions as an officer and director of Resources, which is the parent company of the Trust's investment manager.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

Note 3: Effective November 1, 2016, Frank A. Olson ceased to be a trustee of the Trust.

The following tables provide the estimated dollar range of equity securities of the Fund and of all funds overseen by the Trustees in the Franklin Templeton Investments fund complex beneficially owned by the Trustees as of December 31, 2016.

**Independent Trustees:**

**Aggregate Dollar Range of  
Equity Securities in All  
Funds Overseen by the  
Board Member in the  
Franklin Templeton Fund  
Complex**

| <b>Name of Board Member</b> | <b>Dollar Range of Equity</b> |                |
|-----------------------------|-------------------------------|----------------|
|                             | <b>Securities in the Fund</b> |                |
| Harris J. Ashton            | \$10,000 - \$50,000           | Over \$100,000 |
| Mary C. Choksi              | None                          | Over \$100,000 |
| Edith E. Holiday            | None                          | Over \$100,000 |
| J. Michael Luttig           | None                          | Over \$100,000 |
| Larry D. Thompson           | None                          | Over \$100,000 |
| John B. Wilson              | None                          | Over \$100,000 |

**Interested Trustees:**

**Aggregate Dollar Range of  
Equity Securities in All  
Funds Overseen by the  
Board Member in the  
Franklin Templeton Fund  
Complex**

**Dollar Range of Equity  
Securities in the Fund**

**Name of Board Member**

Gregory E. Johnson

None

Over \$100,000

Rupert H. Johnson, Jr.

\$1 - \$10,000

Over \$100,000

Board members historically have followed a policy of having substantial investments in one or more of the funds in Franklin Templeton Investments, as is consistent with their individual financial goals. In February 1998, this policy was formalized through adoption of a requirement that each board member invest one-third of fees received for serving as a director or trustee of a Templeton fund (excluding committee fees) in shares of one or more Templeton funds and one-third of fees received for serving as a director or trustee of a Franklin fund (excluding committee fees) in shares of one or more Franklin funds until the value of such investments equals or exceeds five times the annual retainer and regular board meeting fees paid to such board member. Investments in the name of family members or entities controlled by a board member constitute fund holdings of such board member for purposes of this policy, and a

three year - phase-in period applies to such investment requirements for newly elected board members. In implementing such policy, a board member's fund holdings existing on February 27, 1998, were valued as of such date with subsequent investments valued -at cost.

***How often do the Trustees meet and what are they paid?***

The role of the Trustees is to provide general oversight of the Fund's business, and to ensure that the Fund is operated for the benefit of all shareholders. The Trustees anticipate meeting at least eight times during the current fiscal year to review the operations of the Fund and the Fund's investment performance. The Trustees also oversee the services furnished to the Fund by Franklin Advisers, Inc., the Fund's investment manager (the "Investment Manager"), and various other service providers.

The Fund's Independent Trustees constitute the sole independent directors/trustees of 26 investment companies in the Franklin Templeton Investments complex, for which each Independent Director/Trustee currently is paid a \$247,000 annual retainer fee, together with a \$7,000 per meeting fee for attendance at board meetings, a portion of which is allocated to the Fund. To the extent held, compensation may also be paid for attendance at specially held Board meetings. The Fund's Lead Independent Trustee is paid an annual supplemental retainer of \$25,000 for service to such investment companies, a portion of which is allocated to the Fund. Trustees who serve on the Audit Committee of the Fund and such other funds receive a flat fee of \$3,000 per Committee meeting attended in person and \$2,000 per telephonic meeting attended, a portion of which is allocated to the Fund. John B. Wilson, who serves as chairman of the Audit Committee of the Fund and such other funds, receives an additional fee of \$50,000 per year, a portion of which is allocated to the Fund. Members of a committee are not separately compensated for any committee meeting held on the day of a Board meeting. Independent Directors/Trustees are also reimbursed for expenses incurred in connection with attending meetings.

During the fiscal year ended -August 31, 2016, there were eight meetings of the Board, one meeting of the Nominating Committee, and four meetings of the Audit Committee. Each of the Trustees who served on the Board during the fiscal year ended August 31, 2016 attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees of the Board on which the Trustee served.

The Fund does not currently have a formal policy regarding Trustees' attendance at the Annual Shareholders' Meeting. None of the Trustees



attended the Fund's last annual shareholders' meeting held on March 18, 2016.

Certain Interested Trustees and officers of the Fund are shareholders of Resources and may receive indirect remuneration due to their participation in the management fees and other fees received from the Franklin Templeton funds by the Investment Manager and its affiliates. The Investment Manager or its affiliates pay the salaries and expenses of the officers. No pension or retirement benefits are accrued as part of Fund -expenses.

The table below indicates the aggregate compensation paid to the nominees for Independent Trustee by the Fund individually and by all of the funds in the Franklin Templeton Investments fund complex. These Trustee nominees also serve as directors or trustees of other Franklin Templeton funds, many of which hold meetings at different dates and times. The Trustees and the Fund's management believe that having the same individuals serving on the boards of many of the funds in the Franklin Templeton Investments fund complex enhances the ability of each fund to obtain, at a relatively modest cost to each separate fund, the services of high caliber, experienced and knowledgeable

Independent Trustees who can bring their experience and talents to, and more effectively oversee the management of, the funds.

| <b>Aggregate<br/>Compensation<br/>From the Fund<sup>(1)</sup></b> | <b>Total Compensation<br/>from Franklin<br/>Templeton Investments<br/>Fund Complex<sup>(2)</sup></b> | <b>Number of Boards within<br/>Franklin Templeton<br/>Investments Fund<br/>Complex on which<br/>Director Serves<sup>(3)</sup></b> |
|---|--|---|
|---|--|---|

**Name of Trustee**

Name of Board Member

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|                  |       |         |    |
|------------------|-------|---------|----|
| Harris J. Ashton | 1,159 | 493,000 | 40 |
| Mary C. Choksi   | 1,159 | 354,168 | 39 |

Edith E. Holiday

1,159

533,000

40

J. Michael Luttig

1,163

510,000

40

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|                               |       |         |     |
|-------------------------------|-------|---------|-----|
| Frank A. Olson <sup>(4)</sup> | 1,159 | 413,456 | N/A |
| Larry D. Thompson             | 1,163 | 506,000 | 40  |

John B. Wilson

1,209

393,000

26



(1) Compensation received for the fiscal year ended August 31, 2016.

(2) Estimated compensation received for the calendar year ended December 31, 2016.

(3) We base the number of boards on the number of U.S. registered investment companies in the Franklin Templeton Investments fund complex. This number does not include the total number of series or funds within each investment company for which the Board members are responsible. Franklin Templeton Investments currently includes 45 U.S. registered investment companies, with approximately 164 U.S. based funds or series.

(4) Retired November 1, 2016.



**Who are the Executive Officers of -the Fund?**

Officers of the Fund are appointed by the Trustees and serve at the pleasure of the Board. Listed below, for each Executive Officer, are his or her name, year of birth, address, a brief description of his or her professional experience for the past 5 years, and his or her position and length of service with the Fund:

| Name, Year of Birth<br>and Address | Position | Length of Time Served |
|------------------------------------|----------|-----------------------|
|------------------------------------|----------|-----------------------|

|                |                |            |
|----------------|----------------|------------|
| Alison E. Baur | Vice President | Since 2012 |
|----------------|----------------|------------|

(1964)

One Franklin Parkway

San Mateo, CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

|                          |  |
|--------------------------|--|
| Laura F. Ferguson (1962) | Chief Executive Officer – Finance Since 2009<br>and Administration |
|--------------------------|--|

One Franklin Parkway

San Mateo,

CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Senior Vice President, Franklin Templeton Services, LLC; Vice President, Franklin Advisers, Inc. and Franklin Templeton Institutional, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

|                      |   |
|----------------------|---|
| Gaston Gardey (1967) | Treasurer, Chief Financial Officer Since 2009<br>and Chief Accounting Officer |
|----------------------|---|

One Franklin Parkway

San Mateo,

CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.

| Name, Year of Birth<br>and Address  | Position   | Length of Time Served  |
|---|--|--|
| <p>Aliya S. Gordon (1973)</p> <p>One Franklin Parkway</p> <p>San Mateo, CA 94403-1906</p>   | Vice President   | Since 2009   |
| <b>Principal Occupation During at Least the Past 5 Years:</b>   |  |  |
| <p>Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.</p>   |  |  |
| <p>Steven J. Gray (1955)</p> <p>One Franklin Parkway</p> <p>San Mateo, CA 94403-1906</p>  | Vice President   | Since 2009   |
| <b>Principal Occupation During at Least the Past 5 Years:</b>   |  |  |
| <p>Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and Franklin Alternative Strategies Advisers, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.</p>  |  |  |
| <p>Edward B. Jamieson (1948)</p> <p>One Franklin Parkway</p> <p>San Mateo, CA 94403-1906</p>  | <p>President and Chief Executive<br/>Officer – Investment Management</p> | <p>President since 1993 and Chief Executive Officer –<br/>Investment Management since 2002</p> |
| <b>Principal Occupation During at Least the Past 5 Years:</b>   |  |  |
| <p>President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.</p> |  |  |
| <p>Gregory E. Johnson (1961)</p> <p>One Franklin Parkway</p> <p>San Mateo, CA 94403-1906</p>  | Trustee  | Since 2013   |
| <b>Principal Occupation During at Least the Past 5 Years:</b>   |  |  |

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Please refer to the table "Nominees for Interested Trustee" for additional information about Mr. Gregory E. Johnson.

| Name, Year of Birth<br>and Address  | Position  | Length of Time Served  |
|---|---|--|
| Rupert H. Johnson, Jr. (1940)<br><br>One Franklin Parkway<br><br>San Mateo, CA 94403-1906 | Chairman of the Board, Trustee<br>and Senior Vice President | Chairman of the Board since 2013 and Trustee<br>and Senior Vice President since 1988 |

San Mateo, CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Please refer to the table "Nominees for Interested Trustee" for additional information about Mr. Rupert H. Johnson, Jr.

|                   |  |
|-------------------|--|
| Robert Lim (1948) | Vice President – AML Compliance Since 2016 |
|-------------------|--|

One Franklin Parkway

San Mateo, CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributor, Inc. and Franklin Templeton Investors Services, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

|                            |                |            |
|----------------------------|----------------|------------|
| Kimberly H. Novotny (1972) | Vice President | Since 2013 |
|----------------------------|----------------|------------|

300 S.E. 2nd Street

Fort Lauderdale,

FL 33301-1923

**Principal Occupation During at Least the Past 5 Years:**

Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 45 of the investment companies in Franklin Templeton Investments.



| Name, Year of Birth<br>and Address | Position | Length of Time Served |
|------------------------------------|----------|-----------------------|
|------------------------------------|----------|-----------------------|

|                           |                          |            |
|---------------------------|--------------------------|------------|
| Robert C. Rosselot (1960) | Chief Compliance Officer | Since 2013 |
|---------------------------|--------------------------|------------|

300 S.E. 2nd Street

Fort Lauderdale, FL 33301-1923

**Principal Occupation During at Least the Past 5 Years:**

Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and **formerly**, Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).

|                          |                              |            |
|--------------------------|------------------------------|------------|
| Karen L. Skidmore (1952) | Vice President and Secretary | Since 2006 |
|--------------------------|------------------------------|------------|

One Franklin Parkway

San Mateo, CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.

|                        |                |            |
|------------------------|----------------|------------|
| Navid J. Tofigh (1972) | Vice President | Since 2015 |
|------------------------|----------------|------------|

One Franklin Parkway

San Mateo, CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.





| Name, Year of Birth<br>and Address | Position | Length of Time Served |
|------------------------------------|----------|-----------------------|
|------------------------------------|----------|-----------------------|

|                      |                |            |
|----------------------|----------------|------------|
| Craig S. Tyle (1960) | Vice President | Since 2005 |
|----------------------|----------------|------------|

One Franklin Parkway

San Mateo, CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

|                      |                |            |
|----------------------|----------------|------------|
| Lori A. Weber (1964) | Vice President | Since 2011 |
|----------------------|----------------|------------|

300 S.E. 2nd Street

Fort Lauderdale,

FL 33301-1923

**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

**ADDITIONAL INFORMATION ABOUT -THE FUND**

**The Investment Manager.** The Investment Manager is Franklin Advisers, Inc., a California corporation, whose principal address is One Franklin Parkway, San Mateo, CA 94403. The Investment Manager is a -wholly-owned subsidiary of Resources.

**The Administrator.** The administrator of the Fund is Franklin Templeton Services, LLC ("FT Services"), whose principal address is also One Franklin Parkway, San Mateo, CA 94403. Under an agreement with the Investment Manager, FT Services performs certain administrative functions, such as portfolio recordkeeping, for the Fund. FT Services is an indirect, -wholly-owned subsidiary of -Resources.

**The Transfer Agent.** The transfer agent, registrar and dividend disbursement agent for the Fund is American Stock Transfer & Trust Company, LLC, 6201 15<sup>th</sup> Avenue, Brooklyn, NY 11219.

**The Custodian.** Bank of New York, Mutual Funds Division, 90 Washington Street, New York, NY 10286, acts as custodian of the Fund's securities and other - assets.

**Reports to Shareholders and Financial Statements.** The Fund's last audited financial statements and annual report for the fiscal year ended - August 31, 2016, are available free of charge. To obtain a copy, please call (800) DIAL BEN/342-5236 or forward a written request to Franklin Templeton Investor Services, LLC, P.O. Box 997151, Sacramento, CA - 95899-9983.

**Principal Shareholders.** As of January 13, 2017, the Fund had 25,131,894 shares outstanding and total net assets of \$197,163,438. The Fund's shares are listed on the NYSE (symbol: FT). From time to time, the number of shares held in "street name" accounts of various securities dealers for the benefit of their clients may exceed 5% of the total shares outstanding. To the knowledge of the Fund's management, as of January 13, 2017, there were no entities holding beneficially or of record more than 5% of the Fund's outstanding shares.

In addition, to the knowledge of the Fund's management, as of January 13, 2017, no Trustee of the Fund owned 1% or more of the outstanding shares of the Fund, and the officers and Trustees of the Fund owned, as a group, less than 1% of the outstanding shares of -the Fund.

**Contacting the Board of Trustees.** If a shareholder wishes to send a communication to the Board, such correspondence should be in writing and addressed to the Board of Trustees at the Fund's offices, One Franklin Parkway, San Mateo, California 94403. The correspondence will then be given to the Board for their review and -consideration.

**AUDIT COMMITTEE**

The Board has a standing Audit Committee currently consisting of Messrs. Wilson (Chairman), Luttig and Thompson, all of whom are Independent Trustees and also are considered to be "independent" as that term is defined by the NYSE's listing standards. The Fund's Audit Committee is responsible for the appointment, compensation and retention of the Fund's independent registered public accounting firm (auditors), including evaluating their independence, recommending the selection of the Fund's auditors to the full Board, and meeting with such auditors to consider and review matters relating to the Fund's financial reports and internal accounting.

**Selection of Auditors.** The Audit Committee and the Board have selected the firm of PricewaterhouseCoopers LLP ("PwC") as auditors of the Fund for the current fiscal year. Representatives of PwC are not expected to be present at the Meeting, but will have the opportunity to make a statement if they wish, and will be available should any matter arise requiring their presence.

**Audit Fees.** The aggregate fees paid to PwC for professional services rendered by PwC for the audit of the Fund's annual financial statements or for services that are normally provided by PwC in connection with statutory and regulatory filings or engagements were \$43,901 for the fiscal year ended August 31, 2016, and \$44,306 for the fiscal year ended August 31, 2015.

**Audit-Related Fees.** There were no fees paid to PwC for assurance and related services rendered by PwC to the Fund that are reasonably related to the performance of the audit or review of the Fund's financial statements and are not reported under "Audit Fees" above for the fiscal years ended August 31, 2016 and August 31, 2015.

There were no fees paid to PwC for assurance and related services rendered by PwC to the Investment Manager and any entity controlling, controlled by or under common control with the Investment Manager that provides ongoing services to the Fund that are reasonably related to the performance of the audit of financial statements for the fiscal years ended August 31, 2016 and August 31, 2015.

**Tax Fees.** There were no fees paid to PwC for professional services rendered by PwC to the Fund for tax compliance, tax advice and tax planning for the fiscal

years ended August 31, 2016 and August 31, 2015.

There were no aggregate fees paid to PwC for professional services rendered by PwC to the Investment Manager and any entity controlling,

controlled by or under common control with the Investment Manager that provides ongoing services to the Fund for tax compliance, tax advice and tax planning for the fiscal years ended August 31, 2016 and August 31, 2015.

**All Other Fees.** The fees paid to PwC for products and services rendered by PwC to the Fund, not reported in previous paragraphs, were \$0 for the fiscal year ended August 31, 2016 and \$61 for the fiscal year ended August 31, 2015.

The fees paid to PwC for products and services rendered by PwC to the Investment Manager and any entity controlling, controlled by or under common control with the Investment Manager that provides ongoing services to the Fund, not reported in previous paragraphs, were \$539,168 for the fiscal year ended August 31, 2016 and \$378,983 for the fiscal year ended August 31, 2015.

**Audit Committee -Pre-Approval Policies and Procedures.** As of the date of this proxy statement, the Audit Committee has not adopted -pre-approval policies and procedures. As a result, all such services described above and provided by PwC must be directly - pre-approved by the Audit -Committee.

**Aggregate Non-Audit Fees.** The aggregate fees paid to PwC for non-audit services to the Fund and to the Investment Manager and any entity controlling, controlled by, or under common control with the Investment Manager that provides ongoing services to the Fund, were \$539,168 for the fiscal year ended August 31, 2016, and \$379,044 for the fiscal year ended August 31, 2015.

The Audit Committee has considered whether the provision of the non-audit services that were rendered to the Investment Manager and to any entities controlling, controlled by, or under common control with the Investment Manager that provide ongoing services to the Fund that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining PwC's independence.

**Audit Committee Report.** The Board has adopted and approved a revised formal written charter for the Audit Committee, which sets forth the Audit Committee's responsibilities. A copy of the charter is attached hereto as "Appendix B."

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The Audit Committee reviewed and discussed the Fund's audited financial statements with management, as well as with PwC, the Fund's auditors. The Audit Committee discussed with PwC the matters required to be discussed by the statement on Auditing Standards No. 16, as amended, as adopted by the Public Company Accounting Oversight Board.

The Audit Committee received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding PwC's communications with the Audit Committee concerning independence. The Audit Committee also received the report of PwC regarding the results of their audit. In connection with their review of the financial statements and the auditors' report, the members of the Audit Committee discussed with PwC the independence of PwC, as well as the following: the auditors' responsibilities in accordance with generally accepted auditing standards; the auditors' responsibilities for information prepared by the Fund's management that accompanies the Fund's audited financial statements and any procedures performed and the results; the initial selection of, and whether there were any changes in, significant accounting policies or their application; the Fund's management's judgments and accounting estimates; whether there were any significant audit adjustments; whether there were any disagreements with the Fund's management; whether there was any consultation with other accountants; whether there were any major issues discussed with the Fund's management prior to the auditors' retention; whether the auditors encountered any difficulties in dealing with the Fund's management in performing the audit; and the auditors' judgments about the quality of the Fund's accounting - principles.

Based on its review and discussions with the Fund's management and the Fund's auditors, the Audit Committee did not become aware of any material misstatements or omissions in the financial statements.

Accordingly, the Audit Committee recommended to the Board that the audited financial statements be included in the Fund's Annual Report to Shareholders for the fiscal year ended August 31, 2016, for filing with the SEC.

THE AUDIT COMMITTEE

John B. Wilson (Chairman)

J. Michael Luttig

Larry D. Thompson



**ADDITIONAL INFORMATION ABOUT THE BOARD**

**Board Role in Risk Oversight.** The Board, as a whole, considers risk management issues as part of its general oversight responsibilities throughout the year at regular Board meetings, through regular reports that have been developed by management, in consultation with the Board and its counsel. These reports address certain investment, valuation and compliance matters. The Board also may receive special written reports or presentations on a variety of risk issues, either upon the Board's request or upon the Investment Manager's initiative. In addition, the Audit Committee of the Board meets regularly with the Investment Manager's internal audit group to review reports on their examinations of functions and processes within Franklin Templeton Investments that affect the Fund.

With respect to investment risk, the Board receives regular written reports describing and analyzing the investment performance of the Fund. In addition, the portfolio managers of the Fund meet regularly with the Board to discuss portfolio performance, including investment risk. To the extent that the Fund changes a particular investment strategy that could have a material impact on the Fund's risk profile, the Board generally is consulted with respect to such change. To the extent that the Fund invests in certain complex securities, including derivatives, the Board receives periodic reports containing information about exposure of the Fund to such instruments. In addition, the Investment Manager's investment risk personnel meet regularly with the Board to discuss a variety of issues, including the impact on the Fund of the investment in particular securities or instruments, such as derivatives.

With respect to valuation, the Fund's administrator provides regular written reports to the Board that enable the Board to monitor the number of fair valued securities in a particular portfolio, the reasons for the fair valuation and the methodology used to arrive at the fair value. Such reports also include information concerning illiquid securities within the Fund's portfolio. The Board also reviews dispositional analysis information on the sale of securities that require special valuation considerations, such as illiquid or fair valued securities. In addition, the Fund's Audit Committee reviews valuation procedures and results with the Fund's independent auditors in connection with the Audit Committee's review of the results of the audit of the Fund's year-end financial statements.

With respect to compliance risks, the Board receives regular compliance reports prepared by the Investment Manager's compliance group and meets regularly with the Fund's Chief Compliance Officer ("CCO") to discuss compliance issues, including compliance risks. As required under SEC rules, the Independent Trustees meet at least quarterly in executive session with the CCO, and the CCO prepares and presents an annual written compliance report to the Board. The Board adopts compliance policies and procedures for the Fund and approves such procedures for the Fund's service providers. The compliance policies and procedures are specifically designed to detect and prevent violations of the federal securities laws.

The Investment Manager periodically provides an enterprise risk management presentation to the Board to describe the way in which risk is managed on a complex-wide level. Such presentation covers such areas as investment risk, reputational risk, personnel risk, and business continuity risk.

**Board Structure.** Seventy-five percent or more of Board members consist of Independent Trustees who are not deemed to be "interested persons" by reason of their relationship with the Fund's management or otherwise as provided under the 1940 Act. While the Chairman of the Board is an interested person, the Board is also served by a Lead Independent Trustee. The Lead Independent Trustee, together with independent counsel, reviews proposed agendas for Board meetings and generally acts as a liaison with Fund management with respect to questions and issues raised by the Independent Trustees. The Lead Independent Trustee also presides at separate meetings of Independent Trustees held in advance of each scheduled Board meeting where various matters, including those being considered at such Board meeting, are discussed. It is believed such structure and activities assure that proper consideration is given at Board meetings to matters deemed important to the Fund and its shareholders.

#### **FURTHER INFORMATION ABOUT VOTING AND THE -MEETING**

**Solicitation of Proxies.** Your vote is being solicited by the Board. The cost of soliciting these proxies, including the fees of any proxy soliciting agent, is borne by the Fund. The Fund reimburses brokerage firms and others for their expenses in forwarding proxy materials to the beneficial owners and soliciting them to execute their proxies. In addition, the Fund may retain a professional proxy solicitation firm to assist with any necessary solicitation of proxies. The Fund expects that the solicitation would be primarily by mail, but may also be conducted via telephone, telecopy, electronic or oral solicitations. If the Fund does not receive your proxy by a certain time you may receive a telephone call from a proxy soliciting agent asking you to vote. If professional proxy solicitors are retained, it is expected that soliciting fees would be approximately \$5,000, plus expenses. The Fund does not reimburse Trustees and officers of the Fund, or regular employees and agents of the Investment Manager, involved in the solicitation of proxies. The Fund intends to pay all costs associated with the solicitation and the Meeting.



**Voting by -Broker-Dealers.** The Fund expects that, before the Meeting, broker-dealer firms holding shares of the Fund in "street name" for their customers will request voting instructions from their customers and beneficial owners. If these instructions are not received by the date specified in the broker-dealer firms' proxy solicitation materials, the Fund understands that NYSE rules permit the broker-dealers to vote on the Proposal to be considered at the Meeting on behalf of their customers and beneficial owners. Certain broker-dealers may exercise discretion over shares held in their name for which no instructions are received by voting those shares in the same proportion as they vote shares for which they received instructions. Because there are no proposals expected to come before the Meeting for which brokers or nominees do not have discretionary voting power, the Fund does not anticipate receiving any "broker non-votes" (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter).

**Quorum.** Forty percent of the shares entitled to vote – present in person or represented by proxy – constitutes a quorum at the Meeting. The shares over which -broker-dealers have discretionary voting power, the shares that represent "broker - non-votes" (if any), and the shares whose proxies reflect an abstention on any item (if any), are all counted as shares present and entitled to vote for purposes of determining whether the required quorum of shares - exists.

**Required Vote.** Provided that a quorum is present, the election of Trustees requires a plurality of shares voted, meaning that the eight nominees receiving the greatest number of votes shall be elected. All voting rights are non-cumulative, which means that the holders of more than 50% of the shares voting for the election of Trustees can elect 100% of such Trustees if they choose to do so, and in such event, the holders of the remaining shares voting will not be able to elect any Trustees.

**Adjournment.** Whether or not a quorum is present at the Meeting, the Meeting may be adjourned by a majority vote of the shares represented at the Meeting, either in person or by proxy, properly cast upon the question of adjournment. If the Meeting is adjourned, notice need not



be given of the adjourned meeting at which the adjournment is taken, unless a new record date of the adjourned meeting is fixed or unless the adjournment is for more than 60 days from the date set for the original Meeting, in which case the Board of Trustees shall set a new date. At any adjourned Meeting, the Fund may transact any business which might have been transacted at the original Meeting.

Whether or not a quorum is present, the persons named as proxies may propose one or more adjournments of the Meeting to permit the further solicitation of proxies. The persons named as proxies will vote in their discretion on questions of adjournment those shares for which proxies have been received that grant discretionary authority to vote on matters that may properly come before the Meeting, and on any other proposals properly raised at the Meeting to the extent permitted by the SEC's proxy rules, including proposals for which management of the Fund did not have timely notice, as set forth in the SEC's proxy rules.

**Shareholder Proposals.** The Fund anticipates mailing this proxy statement on or about February 10, 2017. The Fund anticipates that its next Annual Shareholders' Meeting will be held on or about Friday, March 16, 2018. Shareholder proposals to be presented at the next annual shareholders' meeting must be received at the Fund's offices, One Franklin Parkway, San Mateo, California 94403, Attention: Secretary, no later than October 13, 2017, in order to be considered for inclusion in the Fund's proxy statement and proxy card relating to that meeting and presented at that meeting. Submission of a proposal by a shareholder does not guarantee that the proposal will be included in the proxy statement. A shareholder who wishes to make a proposal at the 2018 Annual Shareholders' Meeting without including the proposal in the Fund's proxy statement must notify the Fund at the Fund's offices of such proposal by December 27, 2017. If a shareholder fails to give notice by this date, then the persons named as proxies in the proxies solicited by the Board for the 2018 Annual Shareholders' Meeting may exercise discretionary voting power with respect to any such proposal.

No business other than the matters described above is expected to come before the Meeting, but should any other matter requiring a vote of shareholders arise, including any question as to an adjournment or

postponement of the Meeting, the designated proxy holders will vote

on such matters in accordance with the views of the Fund's management.

By order of the Board of Trustees,

Karen L. Skidmore

*Vice President & Secretary*

Dated: February 10, 2017

**San Mateo, California**



**Appendix A**

**NOMINATING COMMITTEE CHARTER**

**I. The Committee.**

The Nominating Committee (the "Committee") is a committee of, and established by, the Board of Directors/Trustees of the Fund (the "Board"). The Committee consists of such number of members as set by the Board from time to time and its members shall be selected by the Board. The Committee shall be comprised entirely of "independent members." For purposes of this Charter, independent members shall mean members who are not interested persons of the Fund ("Disinterested Board members") as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act").

**II. Board Nominations and Functions.**

1. The Committee shall make recommendations for nominations for Disinterested Board members on the Board to the incumbent Disinterested Board members and to the full Board. The Committee shall evaluate candidates' qualifications for Board membership and the independence of such candidates from the Fund's investment manager and other principal service providers. Persons selected must be independent in terms of both the letter and the spirit of the 1940 Act. The Committee shall also consider the effect of any relationships beyond those delineated in the 1940 Act that might impair independence, e.g., business, financial or family relationships with investment managers or service providers.

2. The Committee also shall evaluate candidates' qualifications and make recommendations for "interested" members on the Board to the full Board.

3. The Committee may adopt from time to time specific, minimum qualifications that the Committee believes a candidate must meet before being considered as a candidate for Board membership and shall comply with any rules adopted from time to time by the U.S. Securities and Exchange Commission regarding investment company nominating committees and the nomination of persons to be considered as candidates for Board membership.



4. The Committee shall review shareholder recommendations for nominations to fill vacancies on the Board if such recommendations are submitted in writing and addressed to the Committee at the Fund's offices. The Committee shall adopt, by resolution, a policy regarding its procedures for considering candidates for the Board, including any recommended by shareholders.

### **III. Committee Nominations and Functions.**

The Committee shall make recommendations to the full Board for nomination for membership on all committees of the Board.

### **IV. Other Powers and Responsibilities.**

1. The Committee shall meet at least once each year or more frequently in open or executive sessions. The Committee may invite members of management, counsel, advisers and others to attend its meetings as it deems appropriate. The Committee shall have separate sessions with management and others, as and when it deems appropriate.

2. The Committee shall have the resources and authority appropriate to discharge its responsibilities, including authority to retain special counsel and other experts or consultants at the expense of the Fund.

3. The Committee shall report its activities to the Board and make such recommendations as the Committee may deem necessary or appropriate.

4. A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the action of the Committee. The Committee may meet in person or by telephone, and the Committee may act by written consent, to the extent permitted by law and by the Fund's by-laws. In the event of any inconsistency between this Charter and the Fund's organizational documents, the provisions of the Fund's organizational documents shall be given precedence.

5. The Committee shall review this Charter at least annually and recommend any changes to the full Board.



**ADDITIONAL STATEMENT FOR CLOSED-END FUNDS ONLY**

The Committee shall comply with any rules of any stock exchange, if any, applicable to nominating committees of closed-end funds whose shares are registered thereon.

**Appendix B**

**AUDIT COMMITTEE CHARTER**

**I. The Committee.**

The Audit Committee ("Committee") is a committee of, and established by, the Board of Directors/Trustees of the Fund (the "Board"). The Committee shall consist of such number of members as set by the Board from time to time, but in no event less than three, and its members shall be selected by the Board. The Committee shall be comprised entirely of "independent" members, as defined in Item 3(a)(2) of SEC Form N-CSR ("Disinterested Board members"). Members shall be financially literate, meaning that each member is able to read and understand fundamental financial statements, including the Fund's balance sheet and income statement. At least one member of the Committee shall be designated by the Board as an "audit committee financial expert," as defined in Item 3(b) of SEC Form N-CSR, unless the Board determines that the Fund does not have an audit committee financial expert on the Committee.

**II. Purposes of the Committee.**

The function of the Committee is to be directly responsible for overseeing the Fund's accounting and auditing processes, which shall include the appointment, compensation, retention and oversight of the work of the Fund's independent registered public accounting firm ("auditors") engaged (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund. It is management's responsibility to maintain appropriate systems for accounting and internal controls. It is the auditors' responsibility to plan and carry out an audit in accordance with the standards of the Public Company Accounting Oversight Board and to report directly to the Committee. It is not the duty of the Committee to plan or conduct audits or to determine that the Fund's financial statements are complete and in accordance with generally accepted accounting principles; it is the responsibility of the auditors to conduct audits and the responsibility of management to prepare the Fund's financial statements in accordance with generally accepted accounting principles.



In giving its recommendations to the Board with respect to the Fund's financial statements, the Committee will rely on:

1) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles,

2) the report of the Fund's auditors with respect to such financial statements.

Consistent with such allocation of functions, the purposes of the Committee are:

(a) To oversee the Fund's accounting and financial reporting policies and practices and its internal controls, and to obtain, where it deems appropriate, reports on internal controls of service providers to the Fund;

(b) To oversee the quality, objectivity and integrity of the Fund's financial statements and the independent audit thereof;

(c) To act as a liaison between the Fund's auditors and  
the Board; and

(d) To consider such other matters as it deems appropriate in carrying out its purpose and any other matters that may be assigned to it by the Board.

In addition, the Committee shall serve as the Fund's Qualified Legal Compliance Committee ("QLCC") pursuant to Section 205 of the SEC's Standards of Professional Conduct for Attorneys (the "Standards"). In this capacity, the Committee is required to adopt and maintain written procedures for the confidential receipt, retention and consideration of any report of evidence of a material violation. "Evidence of a material violation" means credible evidence, based upon which it would be unreasonable, under the circumstances, for a prudent and competent attorney not to conclude that it is reasonably likely that a material violation of an applicable U.S. federal or state securities law, a material breach of



fiduciary (or similar duty) to the Fund arising under U.S. federal or state law, or a similar material violation of any U.S. federal or state law has occurred, is ongoing, or is about to occur.

**III. Powers and Duties.**

The Committee shall have the following powers and duties to carry out its purposes:

(a) To select the auditors, subject to approval both by the Board and by a separate vote of the Disinterested Board members, and, in connection therewith, to evaluate the independence and qualifications of the auditors in accordance with applicable federal securities laws and regulations and the rules and standards of the Independence Standards Board and American Institute of Certified Public Accountants.

(b) To be directly responsible for approving the services to be provided by, and the compensation of, the auditors, including:

(i) pre-approval of all audit and audit related services;

(ii) pre-approval of all non-audit related services to be provided to the Fund by the auditors;

(iii) pre-approval of all non-audit related services to be provided by the auditors to the Fund's investment adviser or to any entity that controls, is controlled by or is under common control with the Fund's investment adviser and that provides ongoing services to the Fund where the non-audit services relate directly to the operations or financial reporting of the Fund; and

(iv) if deemed necessary or appropriate, as an alternative to Committee pre-approval of services to be provided by the auditors, as required by paragraphs (ii) and (iii) above;

(A) establishment by the Committee of policies and procedures to pre-approve such services , provided the policies and procedures are detailed as to the particular service and the Committee is informed of each service and such policies and procedures do not include delegation of audit committee responsibilities, as

contemplated under the Securities Exchange Act of 1934, to management; or

(B) delegation by the Committee to one or more designated members of the Committee who are Disinterested Board members authority to pre-approve such services, provided the Committee is informed of the decisions of any member pursuant to such delegated authority no later than its next scheduled meeting;

subject, in the case of (ii) through (iv), to any waivers, exceptions or exemptions that may be available under applicable law or rules.

(c) To meet with the auditors, including private meetings, as necessary to (i) review the arrangements for and scope of the annual audit and any special audits; (ii) discuss any matters or concerns relating to the Fund's financial statements, including any recorded and/or unrecorded adjustments to such statements recommended by the auditors, or other results of audits; (iii) consider the auditors' comments with respect to the Fund's financial, accounting and reporting policies, procedures and internal controls and management's responses thereto; and (iv) to review the form of opinion the auditors propose to render.

(d) To receive and consider reports from the auditors:

(i) as required by generally accepted accounting standards; and

(ii) annually and by update as required by SEC Regulation S-X, regarding: (w) all critical accounting policies and practices of the Fund to be used; (x) alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management of the Fund, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditors; (y) other material written communications between the auditors and management of the Fund, such as any management letter or schedule of unadjusted differences; and (z) all non-audit services provided to any entity in an investment company complex, as defined in SEC Regulation S-X, that were not pre-approved by the Committee pursuant to SEC Regulation S-X.



(e) To consider the effect upon the Fund of any changes in accounting principles or practices proposed by management or the auditors.

(f) In considering the independence of the auditors, to request from, and discuss with, the auditors a written statement, and other reports as necessary, describing all relationships between the auditors and the Fund, the Fund's investment adviser and service providers, and other entities advised or serviced by, including any entities controlling, controlled by or under common control with, the investment adviser or any other service providers to the Fund that, in the auditors' judgment, could be thought to bear upon the auditors' independence; to receive and consider, if applicable, periodic reports from the auditors regarding whether the provision of non-audit services is compatible with maintaining the auditors' independence; and to request from the auditors a certificate that they are independent auditors under the Federal securities laws and are in compliance with all standards adopted by the Independence Standards Board.

(g) To require that the auditors regularly provide timely information to the Committee with respect to new rules and pronouncements by applicable regulatory and accounting standards agencies, along with an explanation of how such developments may affect the Fund's financial statements and accounting principles and practices.

(h) To review, at such times and in the manner deemed appropriate by the Committee, the results of the annual audit of, and the report of the auditors on the Fund's annual financial statements, including footnotes and any significant audit findings.

(i) To consider any reports of difficulties that may have arisen during the course of the audit, including any limitations of the scope of the audit, and management's response thereto.

(j) To review certifications of the Fund's Chief Executive Officer - Finance and Administration, and Chief Financial Officer and Chief Accounting Officer concerning (i) all significant deficiencies and material weaknesses in the

design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Fund's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Fund's internal controls over financial reporting, and for any other purposes the Committee deems appropriate, as required by §302 of the Sarbanes-Oxley Act.

(k) To inform the chief legal officer ("CLO") and chief executive officer ("CEO") of the Fund (or the equivalents thereof) of any report of evidence of a material violation by the Fund, its officers, directors/trustees, employees (if any), or agents (collectively, "affiliates"). In connection therewith, the Committee shall:

(i) determine whether an investigation is necessary regarding any report of evidence of a material violation by the Fund or its affiliates;

(ii) if the Committee determines such an investigation is necessary or appropriate, (A) notify the Board; (B) initiate an investigation, which may be conducted by either the CLO or by outside attorneys; and (C) retain such additional expert personnel as the Committee deems necessary to assist in the investigation;

(iii) at the conclusion of any such investigation, (A) recommend by a majority vote, that the Fund implement an appropriate response (as defined in Section 205.2(b) of the Standards) to evidence of a material violation, and (B) inform the CLO and the CEO and the Board of the results of such investigation and the appropriate remedial measures to be adopted;

(iv) acting by majority vote, take all other appropriate action, including the authority to notify the SEC in the event the Fund fails in any material respect to implement an appropriate response that the Committee has recommended the Fund to take; and

(v) otherwise respond to evidence of a material violation.



**IV. Other Functions and Procedures of the Committee.**

(a) The Committee shall meet at least twice each year or more frequently, in open or executive sessions, as may be necessary to fulfill its responsibilities. The Committee shall meet as frequently as circumstances require with (i) the auditors as provided in III (c), above; and (ii) management's internal audit department to review and discuss internal audit functions and reports. The Committee may invite members of management, the auditors, counsel, advisers and others to attend its meetings as it deems appropriate. The Committee shall have separate sessions with the auditors, management and others, as and when it deems appropriate.

(b) The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Fund or the Fund's adviser regarding accounting, internal accounting controls, or accounting matters relating to the Fund; and (ii) the confidential, anonymous submission by employees of the Fund or the Fund's adviser, administrator, principal underwriter or any other provider of accounting related services for the Fund, of concerns regarding questionable accounting or auditing matters.

(c) The Committee shall have the authority to engage special counsel, experts and advisers as and when it determines necessary to carry out its duties and the Fund must provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to any auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

(d) The Committee shall have unrestricted access to the Fund's management and management of the Fund's adviser, including, but not limited to, their chief executive officer(s), chief financial officer(s), internal auditors and any other executives and financial officers.

(e) The Committee shall report its activities to the Board and make such recommendations as the Committee may deem necessary or appropriate.



(f) The Committee shall review and assess the adequacy of this Charter annually, or more frequently if it chooses, and recommend any changes to the Board.

(g) The Chair of the Committee shall meet periodically on an informal basis with the Chairpersons of the Audit Committees of other Funds within the Franklin/Templeton/Mutual Series complex to share information and discuss items of mutual interest and shall report back to the Committee on any issues of substance discussed at such periodic meetings. In addition, the Committee shall meet jointly with Audit Committees of other Funds within the Franklin/Templeton/Mutual Series complex as may be appropriate, to attend presentations and review proposals and other matters of common concern to all such Audit Committees.

**ADDITIONAL STATEMENTS FOR CLOSED-END FUNDS ONLY**

(The provisions set forth in Appendix A hereto are intended to cover specific requirements and wording mandated by applicable Stock Exchange listing requirements.)

Appendix to Audit Committee Charter

In addition to the purposes set forth above, the purposes of the Committee include:

(a) preparation of the Audit Committee Disclosure Report required to be included in the Fund's annual proxy statement; and

(b) the assistance of oversight, as either part of the full Board or as a Committee, of the Fund's compliance with legal and regulatory requirements.

In addition to the powers and duties set forth above, the Committee shall have the following powers and duties to carry out its purposes:

(a) To obtain and review a report by the auditors, at least annually, describing:

(i) All relationships between the auditors and the Fund, the Fund's adviser, and any control affiliate of the adviser that provides ongoing services to the Fund;

(ii) Any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and

(iii) The auditors' internal quality-control procedures;

(b) To discuss generally, to the extent the Fund issues any earnings press releases or any financial information and earnings guidance provided to analysts and rating agencies, any such releases or information and guidance;

(c) To discuss in a general manner, as either part of the full Board or as a Committee, the Fund's processes with respect to risk assessment and risk management;

(d) To review and approve, as either part of the full Board or as a Committee, clear policies relating to the hiring by entities within Franklin Templeton Investments of employees or former employees of the auditors;

(e) To evaluate, as either part of the full Board or as a Committee, its performance at least annually; and

(f) Upon appointment of a member (i) to the Committee or (ii) to the audit committee of another public company, who simultaneously serves on the audit

committees of three or more public companies, to request the Board to determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

The Committee shall comply with such other rules of the New York Stock Exchange, Inc., other applicable national securities exchanges and the U.S. Securities and Exchange Commission applicable to closed-end funds, as such may be adopted and amended from time to time.



