

FRANKLIN LTD DURATION INCOME TRUST
Form SC TO-C
October 17, 2016

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 17,
2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
ISSUER TENDER OFFER STATEMENT
(PURSUANT TO SECTION 13(e)(1) OF THE
SECURITIES EXCHANGE ACT OF 1934)

FRANKLIN LIMITED DURATION INCOME TRUST
(Name of Subject Company (Issuer))

FRANKLIN LIMITED DURATION INCOME TRUST
(Name of Filing Person (Issuer))

COMMON SHARES OF BENEFICIAL INTEREST, NO PAR VALUE
(Title of Class of Securities)

35472T101
(CUSIP Number of Class of Securities)

CRAIG S. TYLE
ONE FRANKLIN PARKWAY
SAN MATEO CA 94403
650-312-2000

(Name, Address and Telephone Number of Person Authorized to Receive
Notices and Communications on Behalf of Filing Person(s))

CALCULATION OF FILING FEE

TRANSACTION VALUATION* AMOUNT OF FILING FEE
None

This filing relates solely to preliminary communications made before the commencement of a tender offer.

* Set forth the amount on which the filing fee is calculated and state how it was determined.

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

Amount Previously Paid: _____

Form or Registration No.: _____

Filing Party: _____

Date Filed: _____

/ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

/ third-party tender offer subject to Rule 14d-1.

/ issuer tender offer subject to Rule 13e-4.

/ going-private transaction subject to Rule 13e-3.

/ amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: /

If applicable, check the appropriate box(es) to designate the appropriate provision(s) being relied upon:

/ Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

/ Rule 14d-1(d) (Cross-Border Third Party Tender Offer)

FROM: Franklin Advisers, Inc.

Franklin Templeton Fund Information: (800) 342-5236

FOR IMMEDIATE RELEASE

TRUSTEES APPROVE MANAGED DISTRIBUTION PLAN AND TENDER OFFER FOR FRANKLIN LIMITED DURATION INCOME TRUST

San Mateo, CA, October 17, 2016 — Franklin Limited Duration Income Trust [NYSE MKT:FTF], a closed-end investment company managed by Franklin Advisers, Inc., announced today that its Board has approved the adoption of a managed distribution plan whereby the Fund will, beginning in January of 2017, make monthly distributions to common shareholders at an annual minimum fixed rate of 10%, based on the average monthly net asset value (NAV) of the Fund's common shares. The Board has also authorized the Fund to conduct a tender offer, no later than the first quarter of 2017, to purchase for cash up to 15% of the Fund's issued and outstanding common shares, at 98% of the Fund's NAV per share. Management and the Board continue to be very focused on the Fund's discount and are committed to pursuing options that benefit all shareholders in the long-run.

Modification of the Discount Narrowing Program, including Continuation of the Share Repurchase Program

The Board will continue the open-market share repurchase program previously announced on April 20, 2016, authorizing the Fund to purchase, from time to time, up to 10% of the Fund's common shares in open-market transactions, at the discretion of management. In light of the tender offer, the Board is suspending the discount measurement period it announced on April 20, 2016. Consistent with the policy expressed by the Board in its announcement on April 20, 2016, however, the Board will continue to actively monitor the Fund's discount and evaluate strategies in the context of market conditions, and expects to take strong measures as needed, which may include one or more of the following actions: (1) authorizing additional tender offers for a portion of the Fund's outstanding shares; or (2) submitting to shareholders a proposal to reorganize the Fund with either an open-end or closed-end investment company; or (3) submitting to shareholders a proposal to convert the Fund to an open-end investment company.

Managed Distribution Plan

The primary purpose of the managed distribution plan is to provide shareholders with a constant, but not guaranteed, fixed minimum rate of distribution each month. The plan is intended to

narrow the discount between the market price and the NAV of the Fund's common shares, but there is no assurance that the plan will be successful in doing so.

Under the managed distribution plan, to the extent that sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital in order to maintain its managed distribution level. No conclusions should be drawn about the Fund's investment performance from the amount of the Fund's distributions or from the terms of the Fund's managed distribution plan. The Board may amend the terms of the plan or terminate the plan at any time without prior notice to the Fund's shareholders. The amendment or termination of the plan could have an adverse effect on the market price of the Fund's common shares. The plan will be subject to periodic review by the Board, including a yearly review of the annual minimum fixed rate to determine if an adjustment should be made.

With each distribution that does not consist solely of net investment income, the Fund will issue a notice to shareholders and an accompanying press release that will provide detailed information regarding the amount and composition of the distribution and other related information. The amounts and sources of distributions reported in the notice to shareholders are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during its full fiscal year and may be subject to changes based on tax regulations. The Fund will send shareholders a Form 1099-DIV for the calendar year that will tell them how to report these distributions for federal income tax purposes.

The Fund may at times distribute more than its net investment income and net realized capital gains; therefore, a portion of the distribution may result in a return of capital. A return of capital occurs when some or all of the money that shareholders invested in the Fund is paid back to them. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with 'yield' or 'income'. Any such returns of capital will decrease the Fund's total assets and, therefore, could have the effect of increasing the Fund's expense ratio. In addition, in order to make the level of distributions called for under its plan, the Fund may have to sell portfolio securities at a less than opportune time.

The Fund may apply to the U.S. Securities and Exchange Commission (the "SEC") for an exemptive order allowing it to make multiple capital gains distributions over the course of the year, which, if implemented, could decrease the amount of return of capital included in the Fund's distribution. There is no guarantee that the SEC will grant the order, or that the Fund will immediately implement the order if granted.

Other Information

To request a copy of the Fund's current Report to Shareholders, contact Franklin Templeton's Fund Information Department at 1-800/DIAL BEN® (1-800-342-5236) or by visiting franklintempleton.com. All investments involve risks, including possible loss of principal. Interest rate movements and mortgage prepayments will affect the Fund's share price and yield. Bond prices generally move in the opposite direction of interest rates. As the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Investments in

lower-rated bonds include higher risk of default and loss of principal. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. For portfolio management discussions, including information regarding the Fund's investment strategies, please view the most recent Annual or Semi-Annual Report to Shareholders which can be found at franklintempleton.com or sec.gov.

Unlike open-end funds (mutual funds), closed-end funds are not continuously offered. Closed-end funds trade on the secondary market through a national stock exchange at a price which may be above (a premium), but is often below (a discount) the net asset value (NAV) of the fund's portfolio, including during periods in which a fund's managed distribution is in effect. Unlike a mutual fund, the market price for a closed-end fund is based on supply and demand, not the fund's NAV.

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organization operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management to retail, institutional and sovereign wealth clients in over 180 countries. Through specialized teams, the company has expertise across all asset classes — including equity, fixed income, alternative and custom solutions. The company's more than 600 investment professionals are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With offices in 35 countries, the California-based company has more than 65 years of investment experience and over \$730 billion in assets under management as of September 30, 2016. For more information, please visit franklintempleton.com.

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