

OCTOBER 31, 2013

SEMIANNUAL REPORT
AND SHAREHOLDER LETTER

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Shareholder Letter

Dear Shareholder:

The six-month period ended October 31, 2013, was challenging for fixed income markets. The municipal bond market posted a correction, fueled mainly by a deep sell-off that began in mid-June. Fixed income markets began their decline after Federal Reserve Board (Fed) Chairman Ben Bernanke hinted that the Fed might slow bond purchases associated with quantitative easing earlier than it originally expected. The bond markets interpreted Chairman Bernanke's comments as an indication that interest rates would begin to rise, and investors rapidly sold fixed income instruments.

The economy continued to post positive, albeit slow, growth. Corporate revenue and earnings growth for the second and third calendar quarters was generally unimpressive and many analysts lowered their forecasts for economic and earnings growth for the remainder of the year. The Fed expressed its concerns with "persistently low inflation" while indicating it might start reducing bond purchases as early as September 2013. However, at its September meeting, the Fed decided not to begin reducing its bond purchases, surprising many market watchers and leading to positive price performance in fixed income markets.

An impasse in Washington, DC, about a new health care law, raising the debt ceiling and approving a continuing resolution led Congress to miss a deadline authorizing routine federal funding and caused a 16-day shutdown of the U.S. government beginning on October 1. Non-essential services were suspended, but critical functions such as the nation's military, air traffic control and social security operations continued their activities. Congress reached an agreement to continue funding the government until January 2014 and temporarily suspend the nation's debt limit until February, which ended the shutdown. The shutdown hurt confidence in the economy, but the true effect on economic growth was uncertain.

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In the U.S., a number of factors combined to reduce the annual budget deficit from more than \$1 trillion to approximately \$680 billion for the fiscal year ended September 30. This was good news in the short term, but the longer term financial picture still looked threatening, because entitlement program costs are expected to increase along with the aging population. Additionally, we believe the improving fiscal picture could have the unwanted effect of removing urgency to deal with the structural budget problems for the long term.

Municipal bonds overall maintained their solid fundamental characteristics, with a historically low default rate and income-producing potential, but many investors reacted negatively to headline news and sold municipal bonds at an unusually fast pace. As a result, municipal bonds declined in value. Furthermore, after decades of deteriorating economic and demographic trends, the City of Detroit, Michigan, filed for bankruptcy on July 18. Even though the process of going through a municipal bankruptcy may take several months or longer, the news of the filing exacerbated investors' concerns about the asset class. Also weighing on the market was negative publicity in late August about the fiscal situation of the Commonwealth of Puerto Rico, a prominent municipal bond issuer.

The municipal market turned positive in September and October, however, as the fixed income markets reacted favorably to the Fed's decision not to begin tapering bond purchases. The positive performance helped significantly reduce outflows from municipal bond funds experienced from June through August. Overall, the Barclays Municipal Bond Index, which tracks investment-grade municipal securities, had a -3.44% total return for the six-month period.¹

Franklin Federal Tax-Free Income Fund's semiannual report goes into greater detail about municipal bond market conditions during the period under review. In addition, you will find performance data, financial information and a discussion from the portfolio managers. We invite you to periodically check our website, franklintempleton.com, for updated commentary by our municipal bond experts. Please remember all securities markets fluctuate, as do mutual fund share prices. Municipal bonds can provide tax-free income and diversification from equities. Despite periods of volatility, municipal bonds historically have had a solid long-term record of performance, driven mostly by their income component.

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As always, we recommend investors seek the advice of qualified financial advisors to help them make the best decisions for the long term. In a constantly changing market environment, we remain committed to our disciplined strategy as we manage the Fund, keeping in mind the trust you have placed in us. We appreciate your confidence and encourage you to contact us when you have questions about your Franklin Templeton tax-free investment.

Sincerely,



Rupert H. Johnson, Jr.
Chairman
Franklin Federal Tax-Free Income Fund



Sheila Amoroso



Rafael R. Costas Jr.
Senior Vice Presidents and Co-Directors
Franklin Municipal Bond Department

This letter reflects our analysis and opinions as of October 31, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

Semiannual Report

Franklin Federal Tax-Free Income Fund

Your Fund's Goal and Main Investments: Franklin Federal Tax-Free Income Fund seeks to provide as high a level of income exempt from federal income taxes as is consistent with prudent investment management and preservation of capital by investing at least 80% of its total assets in investment-grade municipal securities that pay interest free from such taxes.¹

Credit Quality Breakdown*

10/31/13

Ratings	% of Total Long-Term Investments**
AAA	7.0%
AA	46.5%
A	35.5%
BBB	8.9%
Below Investment Grade	1.6%
Not Rated	0.5%

*Standard & Poor's (S&P) is used as the primary independent rating agency source. Moody's is secondary, and Fitch, if available, is used for securities not rated by Moody's or S&P. The ratings are an indication of an issuer's credit-worthiness, with long-term ratings typically ranging from AAA (highest) to Below Investment Grade (lowest; includes ratings BB to D). This methodology differs from that used in Fund marketing materials.

**Does not include short-term investments and other net assets.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin Federal Tax-Free Income Fund covers the period ended October 31, 2013.

Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$12.79 on April 30, 2013, to \$11.88 on October 31, 2013. The Fund's Class A shares paid dividends totaling 23.90 cents per share for the reporting period.² The Performance Summary beginning on page 8 shows that at the end of this

1. Dividends are generally subject to state and local taxes, if any. For investors subject to alternative minimum tax, a small portion of Fund dividends may be taxable. Distributions of capital gains are generally taxable. To avoid imposition of 28% backup withholding on all Fund distributions and redemption proceeds, U.S. investors must be properly certified on Form W-9 and non-U.S. investors on Form W-8BEN.

2. All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 16.

Dividend Distributions²

5/1/13–10/31/13

Month	Dividend per Share (cents)		
	Class A	Class C	Advisor Class
May	3.90	3.31	4.01
June	3.90	3.33	4.00
July	3.90	3.33	4.00
August	4.00	3.43	4.10
September	4.05	3.51	4.15
October	4.15	3.61	4.25
Total	23.90	20.52	24.51

reporting period the Fund's Class A shares' distribution rate was 4.01% based on an annualization of October's 4.15 cent per share dividend and the maximum offering price of \$12.41 on October 31, 2013. An investor in the 2013 maximum federal personal income tax bracket of 39.60% (plus 3.8% Medicare tax) would need to earn a distribution rate of 7.08% from a taxable investment to match the Fund's Class A tax-free distribution rate. For the Fund's Class C and Advisor shares' performance, please see the Performance Summary.

Municipal Bond Market Overview

During the six-month period ended October 31, 2013, the municipal bond market suffered a sharp sell-off, leading municipal bonds to be among the worst fixed income performers. The Barclays Municipal Bond Index, which tracks investment-grade municipal securities, had a -3.44% total return for the six-month period after a 5.06% drop from June through August.³ In comparison, the Barclays U.S. Treasury Index had a -2.22% six-month return.³

In May, Federal Reserve Board (Fed) Chairman Ben Bernanke spoke to Congress and said that the Fed could begin tapering its bond buying in the coming months. As a result of his comments, interest rates rose rapidly and the municipal bond and Treasury markets dramatically lost value. Fears of declining bond prices were heightened when minutes from the Fed's July meeting included more discussion of tapering. Municipal bond mutual funds experienced persistent, large outflows that accelerated during August. Selling in the Treasury and municipal bond markets caused yields on longer term bonds to rise faster than yields on shorter maturity bonds in both markets,

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but the yield difference was more pronounced for municipal bonds. Because bond yields move in the opposite direction from prices, the yield changes led to two significant developments during the six months — municipal bonds underperformed Treasury bonds and longer term municipal bonds fared worse than shorter term municipal bonds. Longer term municipal bonds experienced double the loss of the Barclays Municipal Bond Index. In September, the Fed decided not to begin tapering and said it would maintain the current level of bond purchases and wait for more evidence of sustained economic growth. As a result, the municipal bond market posted positive returns for the months of September and October.

The changes in municipal bond yields were noteworthy when weighed against the volume of newly issued municipal bonds. Thus far, 2013 is on pace to be the third consecutive year in which more municipal bonds are redeemed than newly issued. Despite the contraction to the overall size of the municipal bond market, investors drove yields upward, especially for bonds with longer maturities.

Declining municipal bond prices during the period under review were not solely attributable to a general increase in interest rates. Several headline stories shook investor confidence in the municipal bond asset class. The City of Detroit, Michigan, filed for bankruptcy, the largest municipal bankruptcy filing in U.S. history. In March, independent credit rating agencies Standard & Poor's and Fitch Ratings lowered Puerto Rico general obligation debt to one step above non-investment grade (junk status). The City of Chicago suffered a three-notch downgrade by Moody's Investors Service, another independent credit rating agency. In addition to specific credit rating stories, reports from rating agencies and research organizations cited underfunded pension liabilities among several states and large municipalities that could affect their fiscal stability. Bonds issued by municipalities involved in such stories have often experienced price erosion in secondary trading, but the extent of price erosion and the contagion to related issues have been unpredictable. Fallout from such headlines during the past six months was no exception. Bonds issued by Detroit or closely related issuers sold off sharply, but Michigan bonds included in the Barclays Municipal Bond Index performed in line with the index. Unlike Detroit, Illinois and Puerto Rico issues sold off more broadly and underperformed the index. For the Fund, exposure to Puerto Rico debt was a source of drag on performance during the reporting period.

As of October 31, 2013, municipal bond yields exceeded those of comparable maturity Treasury bonds and many other high-quality bonds. Their tax-exempt nature and historically low default rate enhanced municipal bonds' relative value.

At period-end, we maintained our positive view of the municipal bond market. We believe municipal bonds continue to be an attractive asset class among fixed income securities, and we intend to follow our solid discipline of investing to help maximize income while seeking value in the municipal bond market.

Investment Strategy

We use a consistent, disciplined strategy in an effort to maximize tax-exempt income for our shareholders by seeking to maintain exposure to higher coupon securities while balancing risk and return within the Fund's range of allowable investments. We generally employ a buy-and-hold approach and invest in securities we believe should provide the most relative value in the market. We do not use leverage or derivatives, nor do we use hedging techniques that could add volatility and contribute to underperformance in adverse markets. We generally seek to stay close to fully invested to help maximize income distribution.

Manager's Discussion

Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. During the reporting period, some Puerto Rico issuers experienced downgrades from Standard & Poor's, Moody's and Fitch that contributed to the underperformance of Puerto Rico bonds held in the Fund. The Puerto Rico bond market experienced a marked decline in prices worsened by negative publicity about the island's fiscal situation.

Our value-oriented philosophy of investing primarily for income and stability of principal, when combined with a positive-sloping municipal yield curve, led us to favor longer term bonds during the six months under review. Consistent with our strategy, we sought to remain invested in bonds typically ranging from 15 to 30 years in maturity with good call features. Our relative-value, income-oriented philosophy also led the Fund to maintain its positions in higher coupon bonds, which provided income performance during the reporting period. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

Thank you for your continued participation in Franklin Federal Tax-Free Income Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of October 31, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Portfolio Breakdown

10/31/13

	% of Total Long-Term Investments*
Utilities	18.0%
General Obligation	17.1%
Transportation	16.3%
Subject to Government Appropriations	12.2%
Hospital & Health Care	10.1%
Higher Education	6.7%
Tax-Supported	6.5%
Other Revenue	5.8%
Refunded	5.1%
Corporate-Backed	1.2%
Housing	1.0%

*Does not include short-term investments and other net assets.

Performance Summary as of 10/31/13

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FKTIX)	Change	10/31/13	4/30/13
Net Asset Value (NAV)	-\$0.91	\$11.88	\$12.79
Distributions (5/1/13–10/31/13)			
Dividend Income	\$0.2390		
Class C (Symbol: FRFTX)	Change	10/31/13	4/30/13
Net Asset Value (NAV)	-\$0.91	\$11.87	\$12.78
Distributions (5/1/13–10/31/13)			
Dividend Income	\$0.2052		
Advisor Class (Symbol: FAFTX)	Change	10/31/13	4/30/13
Net Asset Value (NAV)	-\$0.91	\$11.89	\$12.80
Distributions (5/1/13–10/31/13)			
Dividend Income	\$0.2451		

Performance Summary *(continued)*

Performance

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges.

Class A: 4.25% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only;

Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-5.26%	-3.40%	+37.14%	+54.99%
Average Annual Total Return ²	-9.30%	-7.53%	+5.59%	+4.03%
Avg. Ann. Total Return (9/30/13) ³		-7.88%	+5.07%	+3.94%
Distribution Rate ⁴	4.01%			
Taxable Equivalent Distribution Rate ⁵	7.08%			
30-Day Standardized Yield ⁶	3.40%			
Taxable Equivalent Yield ⁵	6.01%			
Total Annual Operating Expenses ⁷	0.61%			
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-5.53%	-3.94%	+33.44%	+46.53%
Average Annual Total Return ²	-6.45%	-4.87%	+5.94%	+3.89%
Avg. Ann. Total Return (9/30/13) ³		-5.23%	+5.41%	+3.81%
Distribution Rate ⁴	3.65%			
Taxable Equivalent Distribution Rate ⁵	6.45%			
30-Day Standardized Yield ⁶	3.01%			
Taxable Equivalent Yield ⁵	5.32%			
Total Annual Operating Expenses ⁷	1.16%			
Advisor Class	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-5.21%	-3.30%	+37.90%	+56.39%
Average Annual Total Return ²	-5.21%	-3.30%	+6.64%	+4.57%
Avg. Ann. Total Return (9/30/13) ³		-3.67%	+6.09%	+4.48%
Distribution Rate ⁴	4.29%			
Taxable Equivalent Distribution Rate ⁵	7.58%			
30-Day Standardized Yield ⁶	3.66%			
Taxable Equivalent Yield ⁵	6.47%			
Total Annual Operating Expenses ⁷	0.51%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintontempleton.com or call **(800) 342-5236**.

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. Because municipal bonds are sensitive to interest rate movements, the Fund's yield and share price will fluctuate with market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. To the extent the Fund has significant investments in a particular state or U.S. territory, such as Puerto Rico, changes impacting the market value of these investments may cause the Fund's share price to decline. Changes in the credit rating of a bond issuer, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. The Fund may invest a significant part of its assets in municipal securities that finance similar types of projects, such as utilities, hospitals, higher education and transportation. A change that affects one project would likely affect all similar projects, thereby increasing market risk. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. Cumulative total return represents the change in value of an investment over the periods indicated.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
4. Distribution rate is based on an annualization of the respective class's October dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 10/31/13.
5. Taxable equivalent distribution rate and yield assume the 2013 maximum federal income tax rate of 39.60% plus 3.8% Medicare tax.
6. The 30-day standardized yield for the 30 days ended 10/31/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The “Ending Account Value” is derived from the Fund’s actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by \$1,000.
If an account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$.
2. Multiply the result by the number under the heading “Expenses Paid During Period.”
If Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50 .

In this illustration, the estimated expenses paid this period are \$64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical “Ending Account Value” is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund’s actual return. The figure under the heading “Expenses Paid During Period” shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 5/1/13	Ending Account Value 10/31/13	Expenses Paid During Period* 5/1/13–10/31/13
Actual	\$1,000	\$ 947.40	\$2.99
Hypothetical (5% return before expenses)	\$1,000	\$1,022.13	\$3.11
Class C			
Actual	\$1,000	\$ 944.70	\$5.69
Hypothetical (5% return before expenses)	\$1,000	\$1,019.36	\$5.90
Advisor Class			
Actual	\$1,000	\$ 947.90	\$2.50
Hypothetical (5% return before expenses)	\$1,000	\$1,022.63	\$2.60

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.61%; C: 1.16%; and Advisor: 0.51%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Federal Tax-Free Income Fund

Financial Highlights

Class A	Six Months Ended October 31, 2013 (unaudited)		Year Ended April 30,			
	2013	2012	2011	2010	2009	
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.79	\$12.48	\$11.47	\$11.89	\$11.21	\$11.82
Income from investment operations ^a :						
Net investment income ^b	0.24	0.48	0.51	0.52	0.52	0.53
Net realized and unrealized gains (losses)	(0.91)	0.31	1.02	(0.43)	0.69	(0.61)
Total from investment operations	(0.67)	0.79	1.53	0.09	1.21	(0.08)
Less distributions from net investment income	(0.24)	(0.48)	(0.52)	(0.51)	(0.53)	(0.53)
Redemption fees ^c	—	—	—	—	—	— ^d
Net asset value, end of period	\$11.88	\$12.79	\$12.48	\$11.47	\$11.89	\$11.21
Total return ^e	(5.26)%	6.44%	13.61%	0.78%	11.00%	(0.55)%
Ratios to average net assets^f						
Expenses	0.61%	0.61%	0.62%	0.62%	0.61%	0.61%
Net investment income	4.02%	3.76%	4.25%	4.41%	4.51%	4.73%
Supplemental data						
Net assets, end of period (000's)	\$8,139,983	\$9,414,734	\$8,758,460	\$7,925,674	\$8,768,920	\$7,513,448
Portfolio turnover rate	6.52%	6.31%	8.55%	14.14%	8.16%	6.74%

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cEffective September 1, 2008, the redemption fee was eliminated.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

Franklin Federal Tax-Free Income Fund

Financial Highlights *(continued)*

Class C	Six Months Ended October 31, 2013 (unaudited)		Year Ended April 30,			
	2013	2012	2011	2010	2009	
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.78	\$12.47	\$11.46	\$11.88	\$11.21	\$11.81
Income from investment operations ^a :						
Net investment income ^b	0.21	0.41	0.45	0.45	0.46	0.47
Net realized and unrealized gains (losses)	(0.91)	0.31	1.01	(0.42)	0.67	(0.60)
Total from investment operations	(0.70)	0.72	1.46	0.03	1.13	(0.13)
Less distributions from net investment income	(0.21)	(0.41)	(0.45)	(0.45)	(0.46)	(0.47)
Redemption fees ^c	—	—	—	—	—	— ^d
Net asset value, end of period	\$11.87	\$12.78	\$12.47	\$11.46	\$11.88	\$11.21
Total return ^e	(5.53)%	5.87%	13.00%	0.22%	10.31%	(1.01)%
Ratios to average net assets^f						
Expenses	1.16%	1.16%	1.17%	1.17%	1.17%	1.17%
Net investment income	3.47%	3.21%	3.70%	3.86%	3.95%	4.17%
Supplemental data						
Net assets, end of period (000's)	\$1,167,831	\$1,525,083	\$1,319,527	\$1,116,089	\$1,222,493	\$808,779
Portfolio turnover rate	6.52%	6.31%	8.55%	14.14%	8.16%	6.74%

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cEffective September 1, 2008, the redemption fee was eliminated.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

Franklin Federal Tax-Free Income Fund

Financial Highlights *(continued)*

Advisor Class	Six Months Ended October 31, 2013 (unaudited)		Year Ended April 30,			
	2013	2012	2011	2010	2009	
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.80	\$12.49	\$11.48	\$11.89	\$11.22	\$11.82
Income from investment operations ^a :						
Net investment income ^b	0.25	0.49	0.52	0.53	0.54	0.54
Net realized and unrealized gains (losses)	(0.91)	0.31	1.02	(0.42)	0.67	(0.60)
Total from investment operations	(0.66)	0.80	1.54	0.11	1.21	(0.06)
Less distributions from net investment income	(0.25)	(0.49)	(0.53)	(0.52)	(0.54)	(0.54)
Redemption fees ^c	—	—	—	—	—	— ^d
Net asset value, end of period	\$11.89	\$12.80	\$12.49	\$11.48	\$11.89	\$11.22
Total return ^e	(5.21)%	6.54%	13.71%	0.96%	11.01%	(0.38)%
Ratios to average net assets^f						
Expenses	0.51%	0.51%	0.52%	0.52%	0.52%	0.52%
Net investment income	4.12%	3.86%	4.35%	4.51%	4.60%	4.82%
Supplemental data						
Net assets, end of period (000's)	\$1,562,570	\$1,755,892	\$1,389,908	\$1,079,061	\$875,566	\$458,341
Portfolio turnover rate	6.52%	6.31%	8.55%	14.14%	8.16%	6.74%

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cEffective September 1, 2008, the redemption fee was eliminated.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited)

	Principal Amount	Value
Municipal Bonds 97.7%		
Alabama 1.3%		
Alabama State Incentives Financing Authority Special Obligation Revenue, Series A, 5.00%, 9/01/42	\$ 14,300,000	\$ 14,410,682
Alabama State Port Authority Docks Facilities Revenue, Refunding, 6.00%, 10/01/40	6,000,000	6,637,500
Birmingham Waterworks Board Water Revenue,		
Series A, Assured Guaranty, 5.125%, 1/01/34	5,600,000	5,819,128
Series B, 5.00%, 1/01/38	3,500,000	3,590,265
Series B, 5.00%, 1/01/43	13,000,000	13,247,910
Courtland IDB Solid Waste Disposal Revenue, Champion International Corp. Project, Refunding, 6.00%, 8/01/29	12,000,000	12,009,720
East Alabama Health Care Authority Health Care Facilities Revenue, Mandatory Put 9/01/18, Series B, 5.50%, 9/01/33	18,500,000	20,942,925
Mobile GO, wts., Refunding and Improvement, AMBAC Insured, 5.00%, 2/15/30	5,000,000	5,251,050
Montgomery County PBA Revenue, wts., Facilities Project, NATL Insured, 5.00%, 3/01/31	6,250,000	6,640,938
Tuscaloosa Public Educational Building Authority Student Housing Revenue, Ridgecrest Student Housing LLC, University of Alabama Ridgecrest Residential Project, Assured Guaranty, 6.75%, 7/01/38	10,000,000	10,961,200
University of Alabama General Revenue, Series A,		
NATL Insured, Pre-Refunded, 5.00%, 7/01/29	10,000,000	10,171,700
NATL Insured, Pre-Refunded, 5.00%, 7/01/34	10,500,000	10,671,990
XLCA Insured, 5.00%, 7/01/28	5,000,000	5,392,650
XLCA Insured, 5.00%, 7/01/32	5,500,000	5,686,065
University of South Alabama University Tuition Revenue, Capital Improvement, Refunding, AMBAC Insured, 5.00%, 12/01/36	11,570,000	<u>11,680,956</u>
		<u>143,114,679</u>
Alaska 0.5%		
Alaska State HFC Revenue, General Housing Purpose, Series A, FGIC Insured, 5.00%, 12/01/29	4,000,000	4,105,080
12/01/30	3,500,000	3,587,430
^Alaska State Industrial Development and Export Authority Revenue, Providence Health and Services, Series A, 5.00%, 10/01/40	10,000,000	9,999,500
Alaska State International Airports Revenue,		
Series B, NATL Insured, 5.00%, 10/01/28	5,100,000	5,112,852
Series C, 5.00%, 10/01/33	12,565,000	13,062,323
Matanuska-Susitna Borough Lease Revenue, Goose Creek Correctional Center Project, Assured Guaranty, 6.00%, 9/01/32	20,000,000	<u>22,112,600</u>
		<u>57,979,785</u>
Arizona 2.8%		
Arizona State Board of Regents University of Arizona System Revenue, Series A, 5.00%, 6/01/42	10,000,000	10,402,600
Arizona State COP, Department of Administration, Series A, AGMC Insured, 5.00%, 10/01/27	14,440,000	15,332,681
Arizona State Lottery Revenue, Series A, AGMC Insured, 5.00%, 7/01/27	15,000,000	16,089,600
Downtown Phoenix Hotel Corp. Revenue, Senior Series A, FGIC Insured, 5.00%, 7/01/29	14,465,000	14,417,410
Glendale Municipal Property Corp. Excise Tax Revenue, Refunding, Series C, 5.00%, 7/01/38	15,500,000	15,390,415
Glendale Western Loop 101 Public Facilities Corp. Excise Tax Revenue, third lien, Series A, Pre-Refunded, 6.25%, 7/01/38	10,000,000	10,094,300

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Arizona (continued)		
Maricopa County PCC, PCR, El Paso Electric Co. Palo Verde Project, Series A, 7.25%, 2/01/40	\$ 10,000,000	\$ 11,048,900
Mesa Utility Systems Revenue, 4.00%, 7/01/36	20,000,000	17,562,000
Navajo County PCC Revenue, Mandatory Put 6/01/16, Series E, 5.75%, 6/01/34	7,200,000	7,963,416
Phoenix Civic Improvement Corp. Airport Revenue, junior lien, Series A, 5.00%, 7/01/40	24,000,000	24,133,440
senior lien, Series A, 5.00%, 7/01/33	28,000,000	28,533,400
Phoenix Civic Improvement Corp. Distribution Revenue, Capital Appreciation, Civic Plaza Expansion Project, Series B, NATL RE, FGIC Insured, 5.50%, 7/01/32	6,000,000	6,711,180
7/01/34	5,000,000	5,545,850
7/01/35	9,860,000	10,881,200
Phoenix Civic Improvement Corp. Water System Revenue, junior lien, Refunding, Series A, 5.00%, 7/01/32	21,095,000	22,761,083
7/01/34	10,000,000	10,673,200
Pima County IDA Lease Revenue, Clark County Detention Facility Project, 5.00%, 9/01/39	20,000,000	20,129,800
Metro Police Facility, Nevada Project, Series A, 5.25%, 7/01/31	8,900,000	9,202,511
Metro Police Facility, Nevada Project, Series A, 5.50%, 7/01/39	22,500,000	23,069,025
Pinal County Electric District No. 3 Revenue, Refunding, 5.25%, 7/01/36	10,000,000	10,265,500
Salt River Project Agricultural Improvement and Power District Electric System Revenue, Salt River Project, Series A, 5.00%, 1/01/38	10,000,000	10,437,200
University Medical Center Corp. Hospital Revenue, Tucson, 5.00%, 7/01/35	7,000,000	7,017,150
		<u>307,661,861</u>
Arkansas 0.1%		
University of Arkansas University Revenue, Various Facility, Fayetteville Campus, Series B, 5.00%, 11/01/37	3,100,000	3,252,954
11/01/42	9,360,000	9,720,641
		<u>12,973,595</u>
California 12.7%		
Bay Area Toll Authority Toll Bridge Revenue, San Francisco Bay Area, Refunding, Series F-1, 5.00%, 4/01/28	24,000,000	26,428,560
Refunding, Series F-1, 5.00%, 4/01/34	20,250,000	21,159,630
Refunding, Series F-1, 5.00%, 4/01/34	9,530,000	9,922,922
Refunding, Series F-1, 5.00%, 4/01/39	14,000,000	14,445,620
Refunding, Series F-1, 5.50%, 4/01/43	30,000,000	31,675,800
Series F, Pre-Refunded, 5.00%, 4/01/31	20,000,000	22,220,600
California Educational Facilities Authority Revenue, Carnegie Institute of Washington, Refunding, Series A, 5.00%, 7/01/40	24,525,000	25,321,817
California Infrastructure and Economic Development Bank Revenue, Bay Area Toll Bridges Seismic Retrofit, first lien, Series A, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/33	24,500,000	29,425,480
California State Economic Recovery GO, Refunding, Series A, 5.25%, 7/01/21	28,580,000	34,147,384
California State GO, 5.50%, 11/01/33	1,935,000	1,943,669
Pre-Refunded, 5.50%, 11/01/33	565,000	565,000

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) (continued)

	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
California State GO, (continued)		
Various Purpose, 6.00%, 5/01/18	\$ 535,000	\$ 548,412
Various Purpose, 5.90%, 4/01/23	1,200,000	1,225,212
Various Purpose, 5.00%, 10/01/29	15,000,000	15,968,100
Various Purpose, 6.00%, 4/01/38	100,000,000	114,061,000
Various Purpose, 6.00%, 11/01/39	25,000,000	28,787,500
Various Purpose, 5.25%, 11/01/40	50,000,000	52,349,000
Various Purpose, FGIC Insured, 6.00%, 5/01/20	850,000	869,151
Various Purpose, Pre-Refunded, 5.25%, 11/01/25	16,260,000	16,260,000
Various Purpose, Refunding, 5.25%, 3/01/30	30,000,000	32,757,300
Various Purpose, Refunding, 6.00%, 3/01/33	12,000,000	14,134,200
Various Purpose, Refunding, 5.25%, 3/01/38	20,000,000	20,837,000
Various Purpose, Refunding, 5.50%, 3/01/40	25,000,000	27,147,750
Various Purpose, Refunding, 5.00%, 2/01/43	5,000,000	5,126,100
California State Health Facilities Financing Authority Revenue, Children's Hospital of Orange County, Series A, 6.50%,		
11/01/24	5,000,000	5,842,300
11/01/38	8,000,000	8,965,360
California State Public Works Board Lease Revenue,		
Department of Education, Riverside Campus Project, Series B, 6.125%, 4/01/28	2,740,000	3,186,510
Department of General Services, Office Buildings 8 and 9 Renovation, Series A, 6.00%, 4/01/27	3,980,000	4,632,004
Department of General Services, Office Buildings 8 and 9 Renovation, Series A, 6.125%, 4/01/29	5,000,000	5,785,000
Various Capital Projects, Series A, 5.00%, 4/01/30	18,000,000	18,919,080
Various Capital Projects, Series A, 5.00%, 4/01/33	12,475,000	12,898,152
Various Capital Projects, Series I, 6.125%, 11/01/29	29,300,000	34,285,102
California Statewide CDA, PCR, Refunding, 4.50%, 9/01/29	14,830,000	14,968,067
California Statewide CDA Revenue,		
Adventist Health System/West, Series B, Assured Guaranty, 5.00%, 3/01/37	10,000,000	10,056,300
St. Joseph Health System, Series B, FGIC Insured, 5.75%, 7/01/47	5,000,000	5,320,000
St. Joseph Health System, Series E, AGMC Insured, 5.25%, 7/01/47	10,000,000	10,172,600
Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, Assured Guaranty, 5.375%, 8/01/34	15,000,000	15,921,000
Corona-Norco USD, GO, Riverside County, Capital Appreciation, Election of 2006, Series C, AGMC Insured,		
zero cpn., 8/01/39	7,500,000	1,774,125
zero cpn. to 8/01/17, 6.20% thereafter, 8/01/29	3,250,000	3,001,440
zero cpn. to 8/01/17, 6.80% thereafter, 8/01/39	8,500,000	7,685,105
Foothill/Eastern Transportation Corridor Agency Toll Road Revenue, Capital Appreciation, Refunding,		
5.85%, 1/15/23	35,000,000	35,448,000
5.75%, 1/15/40	20,000,000	19,917,600
zero cpn., 1/15/24	65,000,000	35,543,950
Golden State Tobacco Securitization Corp. Tobacco Settlement Revenue, Enhanced, Asset-Backed, Refunding, Series A, AMBAC Insured, 5.00%, 6/01/45	13,255,000	12,706,773
Hartnell Community College District GO, Monterey and San Benito Counties, Capital Appreciation, Election of 2002, Series D, zero cpn., 8/01/39	45,000,000	8,387,550

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

		Principal Amount	Value
Municipal Bonds (continued)			
California (continued)			
Jefferson UHSD San Mateo County GO, Capital Appreciation, Election of 2006, Series D, zero cpn.,			
8/01/35	\$ 10,500,000	\$ 2,264,640	
8/01/40	10,000,000	1,410,500	
8/01/41	13,590,000	1,760,041	
Los Angeles Community College District GO, Election of 2008, Series C, 5.25%, 8/01/39	30,000,000	32,230,800	
Los Angeles Department of Airports Revenue, Los Angeles International Airport, Senior, Refunding, Series A, 5.00%, 5/15/40	25,485,000	26,010,756	
Series D, 5.00%, 5/15/40	50,000,000	51,031,500	
Los Angeles Department of Water and Power Revenue, Power System, Series B, 5.00%, 7/01/31	20,000,000	21,872,800	
Los Angeles USD, GO,			
Election of 2002, Series B, AMBAC Insured, 4.50%, 7/01/31	28,745,000	29,424,532	
Election of 2004, Series F, AGMC Insured, 5.00%, 7/01/30	52,475,000	55,837,598	
Election of 2004, Series G, AMBAC Insured, 5.00%, 7/01/26	10,250,000	11,030,128	
Election of 2004, Series G, AMBAC Insured, 5.00%, 7/01/31	10,000,000	10,590,500	
Series KRY, 5.25%, 7/01/34	36,625,000	39,076,677	
M-S-R Energy Authority Gas Revenue, Series B, 6.50%, 11/01/39	12,500,000	15,127,750	
New Haven USD, GO, Alameda County, Capital Appreciation, Assured Guaranty, zero cpn.,			
8/01/31	2,055,000	833,837	
8/01/32	7,830,000	2,964,986	
8/01/33	7,660,000	2,738,220	
Placentia-Yorba Linda USD, GO, Orange County, Election of 2008, Series A, 5.25%, 8/01/32	24,490,000	26,612,793	
Pomona USD, GO, Los Angeles County, Election of 2008, Series A, Assured Guaranty, 5.00%, 8/01/29	5,585,000	5,930,321	
Rialto USD, GO, San Bernardino County, Series A, AGMC Insured, zero cpn., 8/01/36	20,000,000	5,621,400	
Sacramento County Airport System Revenue, Senior, Series B, AGMC Insured, 5.25%, 7/01/33	16,355,000	16,726,095	
San Diego Public Facilities Financing Authority Water Revenue, Series B, 5.375%, 8/01/34	15,000,000	16,368,450	
San Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.25%, 4/01/31	10,000,000	10,656,900	
San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Capital Appreciation, Refunding, Series A, 5.75%, 1/15/21	50,000,000	51,090,000	
senior lien, 5.00%, 1/01/33	5,000,000	4,551,400	
senior lien, ETM, zero cpn., 1/01/23	7,000,000	5,456,220	
San Mateo UHSD, GO, Capital Appreciation, Election of 2010, Refunding, Series A, zero cpn. to 9/01/28, 6.70% thereafter, 9/01/41	20,000,000	9,919,000	
Series A, zero cpn. to 9/01/28, 6.45% thereafter, 9/01/33	5,725,000	2,841,718	
San Mateo-Foster City School District GO, Capital Appreciation, Election of 2008, Series A, zero cpn. to 8/01/26, 6.625% thereafter, 8/01/42	40,000,000	19,306,400	
Santa Ana USD, GO, Orange County, Capital Appreciation, Election of 2008, Series B, Assured Guaranty, zero cpn.,			
8/01/35	10,000,000	2,909,900	
8/01/36	18,865,000	5,140,901	
8/01/37	10,000,000	2,550,000	
Santa Clara County GO, Election of 2008, Series A, 5.00%, 8/01/34	25,000,000	26,772,000	
Upland USD, GO, San Bernardino County, Election of 2008, Series B, zero cpn., 8/01/39	50,075,000	10,027,018	

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Washington Township Health Care District Revenue, Series A, 6.25%, 7/01/39	\$ 3,000,000	\$ 3,202,290
West Contra Costa USD, GO, Election of 2005, Series C-1, Assured Guaranty, zero cpn., 8/01/29	10,000,000	4,437,200
8/01/30	20,845,000	8,613,779
8/01/31	20,000,000	7,718,600
8/01/32	10,730,000	3,896,063
Whittier UHSD, GO, Los Angeles County, Capital Appreciation, Election of 2008, Refunding, Series A, zero cpn., 8/01/34	20,000,000	5,982,800
		<u>1,383,279,738</u>
Colorado 2.5%		
Aurora Water Improvement Revenue, first lien, Series A, AMBAC Insured, 5.00%, 8/01/32	10,000,000	10,538,800
8/01/36	41,235,000	43,117,790
8/01/39	26,930,000	27,921,293
Colorado State Board of Governors University Enterprise System Revenue, Series A, 5.00%, 3/01/41	8,000,000	8,291,440
AGMC Insured, 5.00%, 3/01/37	10,000,000	10,285,700
NATL RE, FGIC Insured, 5.00%, 3/01/37	1,700,000	1,748,569
NATL RE, FGIC Insured, Pre-Refunded, 5.00%, 3/01/37	8,300,000	9,499,433
Colorado State COP, UCDHSC Fitzsimons Academic Projects, Refunding, Series A, 5.00%, 11/01/28	10,000,000	10,885,500
11/01/29	5,000,000	5,387,050
Colorado State Health Facilities Authority Revenue, Health Facility Authority, Hospital, Refunding, Series B, AGMC Insured, 5.25%, 3/01/36	10,000,000	10,211,800
Valley View Hospital Assn. Project, Refunding, 5.50%, 5/15/28	5,000,000	5,159,300
Valley View Hospital Assn. Project, Refunding, 5.75%, 5/15/36	7,000,000	7,164,710
Colorado State Higher Education Capital Construction Lease Purchase Financing Program COP, 5.50%, 11/01/27	7,335,000	8,225,689
Pre-Refunded, 5.50%, 11/01/27	2,665,000	3,244,291
Colorado Water Resources and Power Development Authority Water Resources Revenue, Arapahoe County Water and Wastewater Public Improvement District Project, Series E, NATL Insured, 5.00%, 12/01/35	10,000,000	10,032,800
Denver City and County Airport System Revenue, Series B, 5.25%, 11/15/33	16,405,000	17,226,726
5.00%, 11/15/37	15,000,000	15,239,400
4.00%, 11/15/43	10,250,000	8,770,925
Mesa State College Auxiliary Facilities Enterprise Revenue, XLCA Insured, Pre-Refunded, 5.00%, 5/15/35	9,950,000	10,668,689
Park Creek Metropolitan District Revenue, Senior Limited Property Tax Supported, Refunding and Improvement, Assured Guaranty, 6.25%, 12/01/30	6,000,000	6,562,260
Public Authority for Colorado Energy Natural Gas Purchase Revenue, 6.50%, 11/15/38	20,000,000	23,933,000
Regional Transportation District Sales Tax Revenue, FasTracks Project, Series A, 5.00%, 11/01/32	10,000,000	10,787,900
University of Colorado Enterprise System Revenue, University of Colorado Regents, Series A, 5.375%, 6/01/32	3,500,000	3,848,110
		<u>268,751,175</u>

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
District of Columbia 2.7%		
District of Columbia Ballpark Revenue, Series B-1, BHAC Insured, 5.00%, 2/01/24	\$ 12,120,000	\$ 12,600,437
2/01/25	7,000,000	7,260,610
2/01/26	9,950,000	10,285,514
District of Columbia Hospital Revenue, Children's Hospital Obligated Group Issue, Sub Series 1, AGMC Insured, 5.45%, 7/15/35	23,900,000	24,508,733
District of Columbia Income Tax Secured Revenue, Refunding, Series A, 5.00%, 12/01/31	10,000,000	10,776,200
Refunding, Series D, 4.00%, 12/01/37	3,740,000	3,446,934
Series A, 5.25%, 12/01/34	11,000,000	11,938,080
Series C, 4.00%, 12/01/37	8,900,000	8,202,596
District of Columbia Revenue, Assn. of American Medical Colleges Issue, Series B, 5.25%, 10/01/41	15,000,000	15,369,600
Deed Tax, Housing Production Trust Fund, New Communities Project, Series A, NATL Insured, 5.00%, 6/01/32	5,000,000	5,137,950
Georgetown University Issue, Growth and Income Securities, AMBAC Insured, zero cpn. to 4/01/18, 5.00% thereafter, 4/01/32	15,370,000	11,932,192
Medlantic/Helix Issue, Series B, AGMC Insured, 5.00%, 8/15/38	20,000,000	20,087,200
National Academy of Sciences Project, Series A, 5.00%, 4/01/35	10,905,000	11,278,605
National Academy of Sciences Project, Series A, 5.00%, 4/01/40	16,960,000	17,379,251
National Public Radio Inc. Issue, 5.00%, 4/01/35	7,750,000	8,015,515
District of Columbia Tobacco Settlement FICO Revenue, Asset-Backed Bonds, Refunding, 6.50%, 5/15/33	35,000,000	36,222,900
District of Columbia University Revenue, Georgetown University Issue, Refunding, Series D, 5.50%, 4/01/36	5,000,000	5,222,150
District of Columbia Water and Sewer Authority Public Utility Revenue, senior lien, Refunding, Series A, 6.00%, 10/01/35	8,000,000	8,844,640
Metropolitan Washington D.C. Airports Authority Airport System Revenue, Refunding, Series A, 5.375%, 10/01/29	5,000,000	5,344,600
Refunding, Series A, 5.00%, 10/01/35	5,000,000	5,305,100
Refunding, Series C, 5.25%, 10/01/27	10,745,000	11,829,600
Series A, 5.00%, 10/01/39	5,000,000	5,258,850
Series C, 5.00%, 10/01/26	10,235,000	11,220,733
Metropolitan Washington D.C. Airports Authority Dulles Toll Road Revenue, Capital Appreciation, second lien, Series C, Assured Guaranty, zero cpn. to 10/01/16, 6.50% thereafter, 10/01/41	25,000,000	23,479,500
		<u>290,947,490</u>
Florida 6.9%		
Brevard County Health Facilities Authority Health Care Facilities Revenue, Health First Inc. Project, 7.00%, 4/01/39	6,500,000	7,060,690
Brevard County Local Option Fuel Tax Revenue, NATL RE, FGIC Insured, 5.00%, 8/01/37	12,245,000	12,482,186
Broward County Water and Sewer Utility Revenue, Series A, 5.25%, 10/01/34	8,800,000	9,488,336
Cape Coral Water and Sewer Revenue, AMBAC Insured, 5.00%, 10/01/36	5,000,000	5,091,700
Refunding, Series A, AGMC Insured, 5.00%, 10/01/42	21,510,000	21,874,164
Citizens Property Insurance Corp. Revenue, Costal Account, senior secured, Series A-1, 5.00%, 6/01/20	20,000,000	22,714,200
High-Risk Account, senior secured, Series A-1, 5.25%, 6/01/17	24,250,000	27,518,900

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Florida (continued)		
Citizens Property Insurance Corp. Revenue, (continued)		
High-Risk Account, senior secured, Series A-1, 5.50%, 6/01/17	\$ 10,000,000	\$ 11,434,900
High-Risk Account, senior secured, Series A-1, 6.00%, 6/01/17	25,000,000	29,021,500
Clearwater Water and Sewer Revenue, Series A, 5.25%, 12/01/39	7,000,000	7,302,470
Davie Water and Sewer Revenue, AGMC Insured, 5.00%, 10/01/32	8,575,000	8,979,226
Florida State Board of Education Public Education GO, Capital Outlay, Refunding, Series D, 6.00%, 6/01/23	17,500,000	22,359,400
Florida State Mid-Bay Bridge Authority Revenue, Series A,		
AMBAC Insured, zero cpn., 10/01/23	4,950,000	2,905,947
AMBAC Insured, zero cpn., 10/01/24	2,970,000	1,633,114
Pre-Refunded, zero cpn., 10/01/23	50,000	35,319
Pre-Refunded, zero cpn., 10/01/24	30,000	20,014
Florida State Municipal Loan Council Revenue, Series D, AGMC Insured, 5.50%, 10/01/41	4,750,000	4,950,498
Hernando County School Board COP, NATL Insured, 5.00%, 7/01/30	10,000,000	10,214,400
Hillsborough County Aviation Authority Revenue, Series A, Assured Guaranty, 5.50%, 10/01/38	5,000,000	5,146,700
Hillsborough County IDA, PCR, Tampa Electric Co. Project, Series A, 5.65%, 5/15/18	6,500,000	7,359,430
Hillsborough County School Board COP, Master Lease Program, Refunding, Series A, 5.00%, 7/01/28	17,650,000	18,983,104
Indian River County School Board COP, NATL RE, FGIC Insured, 5.00%, 7/01/27	16,485,000	17,045,325
Jacksonville Economic Development Commission Health Care Facilities Revenue, Mayo Clinic, 5.00%, 11/15/36	17,950,000	18,119,268
Jacksonville Excise Taxes Revenue, Series A, AMBAC Insured, 5.00%, 10/01/32	6,015,000	6,330,968
Lee County Transportation Facilities Revenue, Sanibel Bridges and Causeway Project, Series B, CIFG Insured, 5.00%, 10/01/35	10,645,000	10,978,188
Martin County Health Facilities Authority Hospital Revenue, Martin Memorial Medical Center, 5.50%, 11/15/42	3,800,000	3,778,112
Miami-Dade County Aviation Revenue, Miami International Airport, Hub of the Americas, Refunding, Series A,		
5.50%, 10/01/36	20,000,000	21,005,000
Assured Guaranty, 5.25%, 10/01/33	11,000,000	11,271,480
Assured Guaranty, 5.25%, 10/01/38	13,000,000	13,167,440
CIFG Insured, 5.00%, 10/01/38	15,000,000	14,644,350
Miami-Dade County Educational Facilities Authority Revenue, University of Miami Issue, Series A, 5.50%, 4/01/38	12,500,000	13,056,875
Miami-Dade County Expressway Authority Toll System Revenue,		
Refunding, Series A, 5.00%, 7/01/29	10,000,000	10,619,700
Refunding, Series A, 5.00%, 7/01/32	6,375,000	6,605,711
Series A, 5.00%, 7/01/40	30,265,000	30,552,820
Miami-Dade County GO, Building Better Communities Program, Series B-1, 5.75%, 7/01/33	20,000,000	21,961,800
Miami-Dade County Public Facilities Revenue, Jackson Health System, Series A, NATL Insured, 5.00%, 6/01/30	10,630,000	10,709,406
Miami-Dade County School Board COP,		
Refunding, Series A, 5.00%, 5/01/31	10,000,000	10,382,700
Series A, Assured Guaranty, 5.25%, 2/01/27	10,000,000	10,895,400

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Florida (continued)		
Miami-Dade County Special Obligation Revenue,		
Juvenile Courthouse Project, Series A, AMBAC Insured, 5.00%, 4/01/32	\$ 10,000,000	\$ 10,009,600
sub. bond, Refunding, Series B, 5.00%, 10/01/31	5,000,000	5,177,850
sub. bond, Refunding, Series B, 5.00%, 10/01/32	4,500,000	4,650,075
sub. bond, Refunding, Series B, 5.00%, 10/01/35	3,250,000	3,358,388
Miami-Dade County Transit System Sales Surtax Revenue, Refunding, AGMC Insured, 5.00%, 7/01/38	18,845,000	19,164,423
Miami-Dade County Water and Sewer System Revenue, Refunding, Series A, 5.00%, 10/01/42	20,000,000	20,460,800
Orange County Health Facilities Authority Hospital Revenue, Orlando Regional Healthcare System, Refunding, Series B, AGMC Insured, 5.00%, 12/01/32	20,000,000	20,810,000
Orange County School Board COP, Series A, Assured Guaranty, 5.50%, 8/01/34	15,000,000	16,102,800
Orlando Tourist Development Tax Revenue, 6th Cent Contract Payments, second lien sub. bonds, Series B, Assured Guaranty, 5.50%, 11/01/38	18,490,000	18,701,341
Orlando-Orange County Expressway Authority Revenue,		
Series A, 5.00%, 7/01/40	5,000,000	5,056,100
Series A, AGMC Insured, 5.00%, 7/01/32	12,000,000	12,280,680
Series C, 5.00%, 7/01/40	15,000,000	15,168,300
Palm Beach County Solid Waste Authority Revenue, Improvement, Series B, 5.50%, 10/01/28	10,000,000	11,113,000
Pensacola Airport Revenue, Refunding, 6.25%, 10/01/38	16,500,000	17,780,070
Port St. Lucie GO, NATL Insured, 5.00%, 7/01/32	7,000,000	7,320,250
Port St. Lucie Utility System Revenue, Refunding, Assured Guaranty, 5.25%, 9/01/35	3,000,000	3,208,950
South Broward Hospital District Revenue, South Broward Hospital District Obligated Group, Refunding,		
4.75%, 5/01/28	10,000,000	10,297,800
5.00%, 5/01/36	12,500,000	12,599,750
South Lake County Hospital District Revenue, South Lake Hospital Inc., Series A, 6.25%, 4/01/39	5,735,000	6,197,298
South Miami Health Facilities Authority Hospital Revenue, Baptist Health South Florida Obligated Group, 5.00%, 8/15/32	31,070,000	31,216,029
St. Lucie County Transportation Revenue, AMBAC Insured, 5.00%, 8/01/27	5,785,000	5,995,921
Tallahassee Energy System Revenue, Refunding, NATL Insured, 5.00%, 10/01/37	20,000,000	20,360,800
Tampa-Hillsborough County Expressway Authority Revenue, Refunding, Series A, 5.00%, 7/01/37	5,000,000	5,112,500
Georgia 3.5%		
Athens-Clarke County Unified Government Water and Sewerage Revenue, 5.50%, 1/01/38	14,500,000	15,678,705
Atlanta Airport General Revenue, Refunding, Series C, 6.00%, 1/01/30	15,000,000	17,120,250
Atlanta Airport Passenger Facility Charge Revenue, General, sub. lien, Refunding, Series C, AGMC Insured, 5.00%, 1/01/33	19,500,000	19,781,190
Series J, AGMC Insured, 5.00%, 1/01/29	10,000,000	10,316,300
Atlanta Development Authority Revenue, Tuff Yamacraw LLC Project, Refunding, Series A, AMBAC Insured, 5.00%, 1/01/24	6,385,000	6,913,295
1/01/25	6,955,000	7,478,225
1/01/26	5,000,000	5,323,500
1/01/27	5,000,000	5,281,550

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Georgia (continued)		
Atlanta Water and Wastewater Revenue,		
Refunding, Series A, 6.25%, 11/01/34	\$ 20,000,000	\$ 22,890,200
Refunding, Series A, NATL Insured, 5.00%, 11/01/33	5,720,000	5,721,830
Refunding, Series B, AGMC Insured, 5.25%, 11/01/34	30,000,000	31,265,400
Series A, NATL Insured, 5.00%, 11/01/33	7,280,000	7,280,000
Bleckley-Dodge County Joint Development Authority Student Housing Facilities Revenue,		
MGC Real Estate Foundation II LLC Project,		
5.00%, 7/01/33	5,000,000	5,070,100
5.25%, 7/01/38	10,000,000	10,151,800
Bulloch County Development Authority Student Housing Revenue, Georgia Southern		
University Housing Foundation Four LLC Project, Assured Guaranty, 5.375%, 7/01/39	23,075,000	23,903,393
Burke County Development Authority PCR, Oglethorpe Power Corp. Vogtle Project,		
Series B, 5.50%, 1/01/33	15,000,000	15,660,000
Series E, 7.00%, 1/01/23	25,000,000	28,751,750
Clark County Hospital Authority Revenue, Athens Regional Medical Center Project, NATL		
Insured, 5.00%, 1/01/27	5,000,000	5,237,250
Clayton County Development Authority Student Housing and Activity Center Revenue, CSU		
Foundation Real Estate I LLC Project, XLCA Insured, 5.00%, 7/01/33	11,125,000	11,362,519
DeKalb Newton and Gwinnett Counties Joint Development Authority Revenue, Georgia		
Gwinnett College Foundation LLC Project, 6.00%, 7/01/34	10,000,000	10,725,500
Georgia State Higher Education Facilities Authority Revenue,		
USG Real Estate Foundation I LLC Project, 6.25%, 6/15/40	13,970,000	15,091,651
USG Real Estate Foundation I LLC Project, Assured Guaranty, 5.625%, 6/15/38	5,000,000	5,212,600
USG Real Estate Foundation II LLC Project, Series A, 5.50%, 6/15/34	10,000,000	10,571,700
USG Real Estate Foundation III LLC Project, Series A, 5.00%, 6/15/40	5,000,000	5,036,100
Houston County Hospital Authority Revenue, Anticipation Certificates, Houston Healthcare		
Project, 5.25%, 10/01/35	10,485,000	10,646,993
Jefferson PBA Revenue, Jackson County Facilities, Series A, XLCA Insured,		
5.00%, 3/01/32	1,805,000	1,941,963
Pre-Refunded, 5.00%, 3/01/32	4,270,000	4,887,058
Main Street Natural Gas Inc. Revenue, Gas Project, Series A, 5.50%, 9/15/28	5,000,000	5,308,300
Medical Center Hospital Authority Revenue, Anticipation Certificates, Columbus Regional		
Healthcare System Inc. Project, Refunding, Assured Guaranty, 6.50%, 8/01/38	10,000,000	10,672,700
Private Colleges and Universities Authority Revenue, Emory University, Refunding,		
Series A, 5.00%, 9/01/41	10,000,000	10,562,200
Series A, 5.00%, 10/01/43	10,000,000	10,692,600
Series C, 5.25%, 9/01/39	21,000,000	22,283,100
Richmond County Development Authority Educational Facilities Revenue, MCG-PPG Cancer		
Research Center LLC Project, Series A, AMBAC Insured, 5.00%, 12/15/29	5,000,000	5,068,300
		<hr/> 383,888,022

Hawaii 0.5%

Hawaii State Department of Budget and Finance Special Purpose Revenue, Hawaiian Electric		
Co. and Subsidiary Projects, 6.50%, 7/01/39	7,500,000	8,217,600
Hawaii State GO, Series EE, 4.00%, 11/01/32	13,595,000	13,800,284
Honolulu City and County Board of Water Supply Water System Revenue, Refunding, Series A,		
NATL Insured, 5.00%, 7/01/36	20,000,000	20,815,400
Honolulu City and County GO, ETM, 6.00%, 12/01/14	150,000	159,230

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Hawaii (continued)		
Honolulu City and County MFHR, Waipahu Towers Project, Series A, GNMA Secured, 6.90%, 6/20/35	\$ 1,100,000	\$ 1,101,496
Honolulu City and County Wastewater System Revenue, First Bond Resolution, Senior Series A, 5.00%, 7/01/38	10,000,000	<u>10,485,200</u>
		<u>54,579,210</u>
Idaho 0.1%		
Idaho Health Facilities Authority Revenue, St. Luke's Health System Project, Series A, 6.75%, 11/01/37	12,500,000	<u>13,808,750</u>
Illinois 6.6%		
Aurora Waterworks and Sewer Revenue, XLCA Insured, 4.75%, 12/01/36	7,765,000	7,788,062
Bolingbrook GO, Will and DuPage Counties, Capital Appreciation, Refunding, Series A, zero cpn., 1/01/36	19,000,000	5,529,000
Bourbonnais Industrial Project Revenue, Olivet Nazarene University Project, 5.00%, 11/01/44	2,000,000	1,802,760
Radian Insured, 5.125%, 11/01/37	5,000,000	4,602,100
Chicago Board of Education GO,		
Refunding, Series C, AGMC Insured, 5.25%, 12/01/23	15,860,000	16,437,145
Series A, 5.50%, 12/01/39	6,500,000	6,512,285
Series A, 5.00%, 12/01/42	40,200,000	36,666,822
Chicago GO,		
Lakefront Millennium Project, Parking Facilities, NATL Insured, ETM, 5.75%, 1/01/23	8,955,000	11,238,167
Project, Series A, 5.00%, 1/01/34	15,000,000	13,855,650
Project, Series A, 5.25%, 1/01/35	7,000,000	6,672,960
Refunding, Series A, 5.25%, 1/01/37	13,785,000	13,076,589
Refunding, Series A, AGMC Insured, 5.00%, 1/01/28	13,445,000	13,150,689
Refunding, Series A, AGMC Insured, 5.00%, 1/01/29	26,000,000	25,245,220
Chicago Midway Airport Revenue, Refunding, Series C, Assured Guaranty, 5.50%, 1/01/24	18,460,000	21,557,403
Chicago O'Hare International Airport Revenue, General, third lien,		
Series A, 5.75%, 1/01/39	5,000,000	5,315,550
Series C, AGMC Insured, 5.25%, 1/01/35	12,850,000	13,099,290
Chicago Park District GO, Series A, 5.00%, 1/01/33	4,500,000	4,509,810
Chicago Sales Tax Revenue, Refunding, Series A, 5.00%, 1/01/41	10,000,000	10,262,000
Chicago Transit Authority Sales Tax Receipts Revenue, 5.25%, 12/01/40	10,000,000	10,111,000
Chicago Wastewater Transmission Revenue, second lien, Series A, BHAC Insured, 5.50%, 1/01/38	18,000,000	18,681,120
Chicago Waterworks Revenue, second lien, Refunding, 5.00%, 11/01/42	10,000,000	9,879,200
Cook County GO, Refunding, Series A, 5.25%, 11/15/33	8,720,000	8,709,100
Illinois Health Facilities Authority Revenue,		
Loyola University Health System, Series A, NATL Insured, ETM, 5.625%, 7/01/18	2,105,000	2,539,283
South Suburban Hospital, ETM, 7.00%, 2/15/18	2,595,000	2,956,951
Illinois State Finance Authority Revenue,		
Alexian Brothers Health System, Refunding, Series A, AGMC Insured, 5.50%, 1/01/28	45,000,000	47,272,500
Art Institute of Chicago, Refunding, Series A, 5.25%, 3/01/40	16,000,000	16,475,360
Columbia College, NATL Insured, 5.00%, 12/01/32	15,440,000	15,461,925
Resurrection Health Care, Series B, AGMC Insured, 5.25%, 5/15/29	28,650,000	29,854,446
Riverside Health System, 6.25%, 11/15/35	5,000,000	5,378,200
Roosevelt University Project, Refunding, 6.50%, 4/01/39	15,000,000	15,639,300

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Illinois (continued)		
Illinois State Finance Authority Revenue, (continued)		
Rush University Medical Center Obligated Group, Refunding, Series B, NATL Insured, 5.75%, 11/01/28	\$ 2,500,000	\$ 2,699,600
Rush University Medical Center Obligated Group, Refunding, Series B, NATL Insured, 5.25%, 11/01/35	3,000,000	3,077,970
Rush University Medical Center Obligated Group, Series B, 7.25%, 11/01/38	10,000,000	11,633,300
Sherman Health Systems, Series A, 5.50%, 8/01/37	5,000,000	5,215,350
Illinois State Finance Authority Student Housing Revenue,		
CHF-DeKalb II LLC, Northern Illinois University Project, 6.875%, 10/01/43	15,000,000	16,529,100
CHF-Normal LLC, Illinois State University Project, 7.00%, 4/01/43	7,500,000	8,138,325
Illinois State GO,		
5.25%, 7/01/30	16,915,000	17,028,500
5.50%, 7/01/33	5,000,000	5,078,200
5.50%, 7/01/38	20,000,000	19,944,800
AGMC Insured, 5.00%, 9/01/29	12,000,000	11,960,160
Assured Guaranty, 5.25%, 4/01/34	10,000,000	9,949,900
Refunding, 5.00%, 1/01/24	12,820,000	13,335,236
Refunding, 5.00%, 8/01/25	4,000,000	4,154,640
Series A, 5.00%, 4/01/35	8,000,000	7,625,680
Series A, 5.00%, 4/01/36	8,000,000	7,504,640
Series A, 5.00%, 4/01/38	10,000,000	9,291,400
Illinois State Municipal Electric Agency Power Supply System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 2/01/35	20,000,000	20,010,200
Illinois State Revenue, Build Illinois, Sales Tax Bonds, Series B, 5.25%, 6/15/34	15,000,000	15,725,850
Illinois State Toll Highway Authority Toll Highway Revenue, Senior, Refunding, Series A-1, 5.00%, 1/01/31	10,245,000	10,567,205
Metropolitan Pier and Exposition Authority Dedicated State Tax Revenue,		
Capital Appreciation, McCormick Place Expansion Project, Refunding, Series B, NATL Insured, 5.50%, 6/15/20	8,240,000	9,145,411
Capital Appreciation, McCormick Place Expansion Project, Refunding, Series B, NATL Insured, 5.55%, 6/15/21	6,000,000	6,603,960
Capital Appreciation, McCormick Place Expansion Project, Refunding, Series B, NATL Insured, zero cpn. to 6/14/17, 5.65% thereafter, 6/15/22	30,000,000	28,017,600
McCormick Place Expansion Project, Series A, 5.50%, 6/15/50	15,000,000	15,306,900
Metropolitan Pier and Exposition Authority Hospitality Facilities Revenue, McCormick Place Convention Center, ETM, 7.00%, 7/01/26	12,000,000	16,243,320
Metropolitan Pier and Exposition Authority Revenue, McCormick Place Expansion Project, Series A, 5.00%, 6/15/42	5,000,000	5,122,750
Railsplitter Tobacco Settlement Authority Revenue, Refunding, 6.00%, 6/01/28	14,530,000	15,454,834
Regional Transportation Authority Revenue, Series A, AMBAC Insured, 7.20%, 11/01/20	815,000	923,558
Southwestern Illinois Development Authority Revenue, Capital Appreciation, Local Government Program, AGMC Insured, zero cpn., 12/01/24	3,850,000	2,496,725
12/01/26	7,700,000	4,443,593
University of Illinois University Revenue, Auxiliary Facilities System, Refunding, Series A, 5.125%, 4/01/36	2,950,000	3,051,745
Refunding, Series A, 5.25%, 4/01/41	5,000,000	5,195,450
Series A, 5.75%, 4/01/38	7,000,000	7,632,520

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Illinois (continued)		
Upper River Valley Development Authority Environmental Facilities Revenue, General Electric Co. Project, 5.45%, 2/01/23	\$ 3,600,000	\$ 3,608,028
		<u>722,996,337</u>
Indiana 1.2%		
Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/35	9,025,000	8,583,317
2/01/38	7,220,000	6,663,771
Indiana Bond Bank Revenue, Special Program, Hendricks Regional Health Project, Series A, 5.50%, 2/01/29	9,000,000	9,995,220
Indiana Finance Authority Hospital Revenue, Deaconess Hospital Obligated Group, Series A, 6.75%, 3/01/39	9,750,000	10,733,677
Indiana Health and Educational Facility Financing Authority Hospital Revenue, 5.50%, 3/01/27	6,500,000	6,941,935
Indiana State Finance Authority Environmental Revenue, Duke Energy Indiana Inc. Project, Refunding, Series B, 6.00%, 8/01/39	10,000,000	10,729,500
Indiana State Finance Authority Revenue, Educational Facilities, Marian University Project, 6.375%, 9/15/41	12,500,000	12,765,625
Indiana State Finance Authority Wastewater Utility Revenue, CWA Authority Project, first lien, Series A, 5.00%, 10/01/37	5,000,000	5,148,250
5.25%, 10/01/38	12,000,000	12,447,120
4.00%, 10/01/42	22,615,000	19,391,006
Indiana State Municipal Power Agency Power Supply System Revenue, Series B, 6.00%, 1/01/39	4,000,000	4,477,760
Indianapolis Local Public Improvement Bond Bank Revenue, Pilot Infrastructure Project, Series F, Assured Guaranty, 5.00%, 1/01/35	10,000,000	10,495,800
Jasper County PCR, Northern Indiana Public Service Co. Project, Refunding, Series C, NATL Insured, 5.60%, 11/01/16	5,000,000	5,391,250
University of Southern Indiana Revenue, Student Fee, Series J, Assured Guaranty, 5.75%, 10/01/28	2,000,000	2,296,740
		<u>126,060,971</u>
Kansas 0.3%		
Burlington PCR, Kansas Gas and Electric Co. Project, Refunding, Series A, NATL Insured, 5.30%, 6/01/31	18,000,000	18,128,520
Series B, NATL Insured, 4.85%, 6/01/31	8,000,000	7,925,040
Kansas State Development Finance Authority Hospital Revenue, Adventist Health System/Sunbelt Obligated Group, Refunding, Series C, 5.75%, 11/15/38	6,250,000	6,750,750
Wyandotte County Kansas City Unified Government Utility System Revenue, Series A, BHAC Insured, 5.25%, 9/01/34	5,000,000	5,306,500
		<u>38,110,810</u>
Kentucky 0.9%		
Carroll County Environmental Facilities Revenue, Kentucky Utilities Co. Project, Series A, AMBAC Insured, 5.75%, 2/01/26	12,500,000	13,234,000
Jefferson County Capital Projects Corp. Lease Revenue, Refunding, Series A, zero cpn., 8/15/14	6,860,000	6,778,092
8/15/16	7,005,000	6,655,661
8/15/17	7,115,000	6,577,533

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Kentucky (continued)		
Kentucky Economic Development Finance Authority Health System Revenue, Norton Healthcare Inc., Refunding, Series B, NATL Insured, zero cpn., 10/01/18	\$ 8,585,000	\$ 7,711,304
Kentucky Economic Development Finance Authority Louisville Arena Project Revenue, Louisville Arena Authority Inc., Series A, Sub Series A-1, Assured Guaranty, 6.00%, 12/01/38	4,000,000	4,012,440
Kentucky State Municipal Power Agency Power System Revenue, Prairie State Project, Series A, NATL Insured, 5.00%, 9/01/32	10,000,000	10,440,700
Kentucky State Property and Buildings Commission Revenues, Project No. 90, Refunding, 5.50%, 11/01/28	15,000,000	16,637,550
Louisville/Jefferson County Metro Government College Revenue, Bellarmine University Project, Refunding and Improvement, Series A, 6.00%, 5/01/33	3,000,000	3,099,810
Louisville/Jefferson County Metro Government Health Facilities Revenue, Jewish Hospital and St. Mary's HealthCare Inc. Project, Pre-Refunded, 6.125%, 2/01/37	11,500,000	14,004,125
Paducah Electric Plant Board Revenue, Series A, Assured Guaranty, 5.25%, 10/01/35	7,000,000	<u>7,442,260</u>
		<u>96,593,475</u>
Louisiana 2.2%		
East Baton Rouge Sewerage Commission Revenue, Refunding, Series A, 5.25%, 2/01/39	6,000,000	6,342,240
Greater New Orleans Expressway Commission Revenue, Refunding and Improvement, AMBAC Insured, 5.00%, 11/01/27	5,655,000	5,655,000
Lafayette Communications Systems Revenue, XLCA Insured, 5.25%, 11/01/27	12,485,000	13,572,818
Lafayette Public Improvement Sales Tax GO, Series B, NATL Insured, 4.75%, 3/01/30	5,055,000	5,264,277
Lafayette Public Trust Financing Authority Revenue, Ragin' Cajun Facilities, Housing and Package Project, Assured Guaranty, 5.50%, 10/01/35	6,000,000	6,215,580
Louisiana Local Government Environmental Facilities and CDA Revenue, Bossier City Public Improvement Projects, AMBAC Insured, 5.00%, 11/01/32	6,730,000	7,118,186
Louisiana Public Facilities Authority Hospital Revenue, Franciscan Missionaries of Our Lady Health System Project, Series A, 6.75%, 7/01/39	10,000,000	11,027,800
Louisiana Public Facilities Authority Revenue, Millennium Housing LLC Student Housing, Student Housing and Auxiliary Facilities Project, Assured Guaranty, 5.00%, 11/01/30	10,000,000	10,104,300
Ochsner Clinic Foundation Project, 6.75%, 5/15/41	15,500,000	16,720,470
Ochsner Clinic Foundation Project, Series B, 5.25%, 5/15/38	10,260,000	10,065,573
Ochsner Clinic Foundation Project, Series B, 5.50%, 5/15/47	10,000,000	9,954,300
Ochsner Clinic Foundation Project, Series B, ETM, 5.75%, 5/15/23	10,000,000	12,749,900
Louisiana State Gasoline and Fuels Tax Revenue, second lien, Series B, 5.00%, 5/01/45	23,690,000	24,403,780
Series A, AGMC Insured, Pre-Refunded, 5.00%, 5/01/35	31,040,000	33,224,906
New Orleans GO, Public Improvement, NATL Insured, Pre-Refunded, 5.00%, 10/01/33	3,545,000	3,557,372
Radian Insured, 5.00%, 12/01/27	5,935,000	6,155,841
Radian Insured, 5.125%, 12/01/33	11,645,000	11,748,757
St. Charles Parish Consolidated Waterworks and Wastewater District No. 1 Revenue, Series A, AMBAC Insured, 5.00%, 7/01/36	6,230,000	6,279,217
St. John the Baptist Parish Revenue, Marathon Oil Corp. Project, Series A, 5.125%, 6/01/37	40,500,000	<u>40,361,085</u>
		<u>240,521,402</u>

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Maine 0.3%		
Maine State Educational Loan Authority Student Loan Revenue, Supplemental Education Loan Program, Series A-3, Assured Guaranty, 5.875%, 12/01/39	\$ 13,655,000	\$ 14,229,193
Maine State Health and Higher Educational Facilities Authority Revenue, Maine General Medical Center Issue, 6.75%, 7/01/36	4,250,000	4,608,275
Maine General Medical Center Issue, 7.00%, 7/01/41	10,000,000	10,926,000
Series A, NATL Insured, 5.00%, 7/01/32	540,000	540,637
		<u>30,304,105</u>
Maryland 0.6%		
Baltimore Project Revenue, Water Projects, Series C, AMBAC Insured, 5.00%, 7/01/37	8,130,000	8,328,453
Maryland State EDC, PCR, Potomac Electric Project, Refunding, 6.20%, 9/01/22	5,000,000	5,927,300
Maryland State EDC Student Housing Revenue, University of Maryland College Park Projects, Refunding, Assured Guaranty, 5.00%, 6/01/33	15,000,000	14,687,850
Maryland State Health and Higher Educational Facilities Authority Revenue, Anne Arundel Health System Issue, Series A, 6.75%, 7/01/39	3,000,000	3,476,160
LifeBridge Health Issue, Refunding, Assured Guaranty, 5.00%, 7/01/28	3,000,000	3,143,580
Upper Chesapeake Hospitals Issue, Series C, 6.00%, 1/01/38	5,000,000	5,331,750
Western Maryland Health System Issue, Series A, NATL Insured, 5.00%, 7/01/34	19,345,000	19,343,646
		<u>60,238,739</u>
Massachusetts 2.8%		
Massachusetts Bay Transportation Authority Revenue, Assessment, Refunding, Series A, 5.25%, 7/01/34	27,630,000	30,235,785
4.00%, 7/01/37	15,000,000	13,902,900
Massachusetts Bay Transportation Authority Sales Tax Revenue, Refunding, Senior Series A, 5.00%, 7/01/28	10,000,000	11,484,500
Massachusetts State Department of Transportation Metropolitan Highway System Revenue, Senior, Refunding, Series B, 5.00%, 1/01/37	31,000,000	31,706,490
Massachusetts State Development Finance Agency Revenue, Brandeis University Issue, Refunding, Series O-1, 5.00%, 10/01/40	19,865,000	20,426,186
Massachusetts/Saltonstall Redevelopment Building Corp. Project, 100 Cambridge Street Redevelopment, Series A, NATL Insured, 5.125%, 8/01/28	6,735,000	6,735,471
Wellesley College Issue, Series J, 5.00%, 7/01/42	10,000,000	10,523,100
Worcester Polytechnic Institute Issue, Refunding, NATL Insured, 5.00%, 9/01/37	10,000,000	10,311,300
Massachusetts State Educational Financing Authority Education Loan Revenue, Issue I, 6.00%, 1/01/28	14,585,000	15,651,601
Refunding, Series K, 5.25%, 7/01/29	10,000,000	10,208,400
Series H, Assured Guaranty, 6.35%, 1/01/30	5,405,000	5,675,304
Massachusetts State GO, Consolidated Loan, Series C, AMBAC Insured, 5.00%, 8/01/37	10,000,000	10,463,700
Massachusetts State Health and Educational Facilities Authority Revenue, Berklee College of Music Issue, Refunding, Series A, 5.00%, 10/01/37	10,000,000	10,332,300
Emmanuel College Issue, NATL Insured, 5.00%, 7/01/37	10,000,000	10,019,200
Northeastern University Issue, Series A, 5.00%, 10/01/35	20,000,000	20,503,600
Northeastern University Issue, Series R, 5.00%, 10/01/33	6,830,000	7,128,129
Springfield College Issue, 5.50%, 10/15/31	1,710,000	1,765,866
Springfield College Issue, 5.625%, 10/15/40	7,000,000	7,225,960
Massachusetts State HFA Housing Revenue, Series B, 7.00%, 12/01/38	9,140,000	9,755,853

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Massachusetts (continued)		
Massachusetts State School Building Authority Dedicated Sales Tax Revenue, Series A, AGMC Insured, 5.00%, 8/15/30	\$ 550,000	\$ 576,389
AGMC Insured, Pre-Refunded, 5.00%, 8/15/30	2,005,000	2,170,834
AMBAC Insured, 4.50%, 8/15/35	30,000,000	30,132,600
Massachusetts State Transportation Fund Revenue, Accelerated Bridge Program, Series A, 4.00%, 6/01/35	12,795,000	12,630,712
6/01/36	14,265,000	13,871,429
Massachusetts State Water Pollution Abatement Trust Revenue, MWRA Program, Series A, 5.00%, 8/01/32	225,000	225,520
Massachusetts State Water Pollution Abatement Trust Water Pollution Abatement Revenue, MWRA Program, Refunding, Sub Series A, 5.75%, 8/01/29	450,000	451,328
		<u>304,114,457</u>
Michigan 3.2%		
Detroit City School District GO, School Building and Site Improvement, Refunding, Series A, 5.00%, 5/01/30	1,245,000	1,238,078
5/01/33	1,500,000	1,458,135
Detroit GO, Distribution State Aid, 5.00%, 11/01/30	22,500,000	21,872,700
Detroit Sewage Disposal System Revenue, second lien, Series A, NATL Insured, 5.00%, 7/01/30	5,470,000	5,066,806
Detroit Water and Sewerage Department Sewage Disposal System Revenue, senior lien, Refunding, Series A, 5.25%, 7/01/39	12,000,000	11,168,880
Detroit Water Supply System Revenue, second lien, Series B, AGMC Insured, 7.00%, 7/01/36	5,000,000	5,255,800
senior lien, Refunding, Series B, Assured Guaranty, 5.00%, 7/01/21	10,000,000	9,949,100
senior lien, Refunding, Series D, AGMC Insured, 5.00%, 7/01/32	32,650,000	30,433,718
senior lien, Series A, NATL RE, FGIC Insured, 5.00%, 7/01/30	17,575,000	16,604,860
Grand Rapids Public Schools GO, School Building and Site, AGMC Insured, 4.50%, 5/01/31	21,800,000	22,344,346
Michigan State Building Authority Revenue, Facilities Program, Refunding, Series I, 6.25%, 10/15/38	15,000,000	16,642,050
Refunding, Series I-A, 5.375%, 10/15/36	6,730,000	7,050,819
Refunding, Series I-A, 5.25%, 10/15/44	20,655,000	21,300,056
Refunding, Series IA, NATL RE, FGIC Insured, 5.00%, 10/15/31	9,475,000	9,585,763
Series H, 5.125%, 10/15/33	12,500,000	13,015,625
Series H, AGMC Insured, 5.00%, 10/15/26	5,000,000	5,430,000
Michigan State Finance Authority Revenue, Hospital, Trinity Health Credit Group, Refunding, Series MI, 5.00%, 12/01/39	22,000,000	22,334,840
School District of the City of Detroit, Refunding, 5.00%, 6/01/18	2,400,000	2,647,848
School District of the City of Detroit, Refunding, 5.00%, 6/01/19	1,900,000	2,096,688
School District of the City of Detroit, Refunding, 5.00%, 6/01/20	1,500,000	1,656,990
School District of the City of Detroit, Refunding, 5.50%, 6/01/21	10,000,000	11,313,900
Michigan State GO, Environmental Program, Refunding, Series A, 6.00%, 11/01/24	1,000,000	1,184,100
5.50%, 11/01/25	1,000,000	1,140,860
Michigan State HDA, SFMR, Series A, 5.00%, 12/01/19	6,500,000	6,752,460

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Michigan (continued)		
Michigan State Hospital Finance Authority Revenue,		
MidMichigan Obligated Group, Series A, 6.00%, 6/01/29	\$ 4,000,000	\$ 4,302,840
MidMichigan Obligated Group, Series A, 6.125%, 6/01/39	5,000,000	5,358,150
Trinity Health Credit Group, Refunding, Series C, 5.00%, 12/01/34	10,000,000	10,251,900
Michigan State Strategic Fund Limited Obligation Revenue, The Detroit Edison Co. Exempt Facilities Project, Refunding, Series KT, 5.625%, 7/01/20	7,000,000	8,128,330
Michigan Tobacco Settlement Finance Authority Revenue, Tobacco Settlement Asset-Backed, Senior Series A, 6.00%, 6/01/34	42,680,000	32,897,317
Royal Oak Hospital Finance Authority Hospital Revenue, William Beaumont Hospital Obligated Group, Refunding,		
Series V, 8.25%, 9/01/39	20,000,000	24,042,400
Series W, 6.375%, 8/01/29	10,000,000	11,332,400
Wayne State University Revenue, General, AMBAC Insured, 5.00%, 11/15/36	5,000,000	5,119,700
		<u>348,977,459</u>
Minnesota 0.2%		
Minneapolis Health Care System Revenue, Fairview Health Services, Series A,		
6.625%, 11/15/28	11,000,000	12,517,780
6.75%, 11/15/32	6,250,000	7,019,687
Minnesota Agricultural and Economic Development Board Revenue, Health Care System, Fairview Hospital and Healthcare Services, Refunding, Series A, NATL Insured, 5.75%, 11/15/26	510,000	<u>511,316</u>
		<u>20,048,783</u>
Mississippi 0.5%		
Mississippi Business Finance Corp. PCR, System Energy Resource Inc. Project, Refunding, 5.875%, 4/01/22	45,000,000	45,036,000
Mississippi Development Bank Special Obligation Revenue,		
City of Jackson GO Capital City Convention Center Project, Refunding, Series A, 5.00%, 3/01/36	10,000,000	10,525,100
City of Jackson Water and Sewer System Project, AGMC Insured, 6.875%, 12/01/40	3,400,000	<u>4,103,256</u>
		<u>59,664,356</u>
Missouri 0.4%		
Missouri Joint Municipal Electric Utility Commission Power Project Revenue,		
Iatan 2 Project, Series A, AMBAC Insured, 5.00%, 1/01/34	14,000,000	14,337,960
Plum Point Project, NATL Insured, 5.00%, 1/01/34	13,000,000	13,036,010
Missouri State Health and Educational Facilities Authority Health Facilities Revenue, St. Luke's Health System, Series B, AGMC Insured, 5.50%, 11/15/35	15,000,000	<u>15,785,100</u>
		<u>43,159,070</u>
Nebraska 1.6%		
Adams County School District No. 018 GO, Hastings Public Schools, AGMC Insured, Pre-Refunded, 5.00%, 12/15/31	5,795,000	6,583,584
Lancaster County Correctional Facility Joint Public Agency GO, Building, 5.00%, 12/01/28	5,000,000	5,709,650
Lancaster County School District No. 001 GO, Lincoln Public Schools, 5.00%, 1/15/36	24,725,000	25,721,170
Lincoln Electric System Revenue, Pre-Refunded, 5.00%, 9/01/31	8,645,000	9,377,837
Madison County Hospital Authority No. 001 Hospital Revenue, Faith Regional Health Services Project, Series A-1, 6.00%, 7/01/33	12,000,000	12,605,880

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Nebraska (continued)		
Municipal Energy Agency of Nebraska Power Supply System Revenue, Refunding, Series A, BHAC Insured, 5.375%, 4/01/39	\$ 5,000,000	\$ 5,386,450
Omaha Convention Hotel Corp. Revenue, Convention Center, first tier, Refunding, AMBAC Insured, 5.00%, 2/01/35	30,000,000	30,581,100
Omaha Public Facilities Corp. Lease Revenue, Baseball Stadium Project, 5.00%, 6/01/36	9,000,000	9,395,010
Omaha Public Power District Revenue, Series C, 5.00%, 2/01/39	23,305,000	24,294,297
Omaha Public Power District Separate Electric System Revenue, Nebraska City 2, Series A, AMBAC Insured, 5.00%, 2/01/30	12,165,000	13,007,183
University of Nebraska Revenue,		
Kearney Student Fees and Facilities, 5.00%, 7/01/30	5,000,000	5,391,900
Lincoln Student Fees and Facilities, 5.00%, 7/01/37	5,000,000	5,312,600
Lincoln Student Fees and Facilities, 5.00%, 7/01/42	7,500,000	7,831,275
Lincoln Student Fees and Facilities, Series A, 5.25%, 7/01/34	5,000,000	5,367,750
Omaha Student Facilities Project, 5.00%, 5/15/32	5,000,000	5,334,050
University of Nebraska Omaha Health and Recreation Project, 5.00%, 5/15/38	5,000,000	5,194,650
	<hr/>	<hr/>
	177,094,386	
Nevada 0.5%		
Clark County Airport Revenue, sub. lien, Series A-2, NATL RE, FGIC Insured, 5.125%, 7/01/27	10,000,000	10,150,900
Clark County School District GO,		
Refunding, Series A, NATL RE, FGIC Insured, 5.00%, 6/15/24	15,000,000	16,615,050
Series C, AGMC Insured, Pre-Refunded, 5.00%, 6/15/21	10,000,000	10,966,000
Las Vegas Valley Water District GO, Series B, 5.00%, 6/01/42	8,000,000	8,207,200
Nevada State GO, Municipal Bond Bank Project No. 40-41, Series A, ETM, 6.375%, 12/01/17	7,300,000	7,329,565
	<hr/>	<hr/>
	53,268,715	
New Hampshire 0.2%		
Nashua Housing Authority MFR, Clocktower Project, Refunding, GNMA Secured, 6.25%, 6/20/33	4,942,000	4,946,349
New Hampshire Health and Education Facilities Authority Revenue, The Memorial Hospital Issue, Refunding, 5.25%,		
6/01/26	1,000,000	978,370
6/01/36	1,100,000	1,012,660
New Hampshire Higher Educational and Health Facilities Authority Revenue, New Hampshire Catholic Charities Issue, 5.80%, 8/01/22	970,000	970,310
New Hampshire Municipal Bond Bank Revenue, Series B, 5.00%, 8/15/39	11,250,000	12,063,263
New Hampshire State Business Finance Authority Revenue, Elliot Hospital Obligated Group, Series A, 6.125%, 10/01/39	5,000,000	5,170,700
	<hr/>	<hr/>
	25,141,652	
New Jersey 3.3%		
Bayonne GO, General Improvement, Refunding, 5.75%, 7/01/35	9,000,000	9,541,800
New Jersey EDA Revenue,		
Cigarette Tax, Pre-Refunded, 5.75%, 6/15/29	20,000,000	20,682,600
Motor Vehicle Surcharges, Series A, NATL Insured, 5.00%, 7/01/29	10,000,000	10,103,100
Motor Vehicle Surcharges, Series A, NATL Insured, 5.00%, 7/01/34	5,000,000	5,036,300
School Facilities Construction, Refunding, Series NN, 5.00%, 3/01/30	15,000,000	15,857,550
School Facilities Construction, Refunding, Series NN, 5.00%, 3/01/31	14,775,000	15,526,752

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
New Jersey (continued)		
New Jersey EDA Revenue, (continued)		
School Facilities Construction, Series NN, 5.00%, 3/01/28	\$ 22,000,000	\$ 23,821,380
School Facilities Construction, Series O, Pre-Refunded, 5.125%, 3/01/28	20,000,000	21,283,400
School Facilities Construction, Series U, 5.00%, 9/01/37	22,000,000	22,234,740
New Jersey Health Care Facilities Financing Authority State Contract Revenue, Hospital Asset Transformation Program, Series A, 5.25%, 10/01/38	10,000,000	10,438,200
New Jersey State COP, Equipment Lease Purchase, Series A, 5.25%, 6/15/25	20,305,000	22,143,415
6/15/26	8,000,000	8,677,600
6/15/27	4,000,000	4,315,600
6/15/28	2,000,000	2,146,260
New Jersey State Housing and Mortgage Finance Agency Revenue, Series AA, 6.375%, 10/01/28	3,830,000	3,954,398
New Jersey State Transportation Trust Fund Authority Revenue, Transportation System, Series A, 6.00%, 12/15/38	39,505,000	44,147,628
Series A, Pre-Refunded, 6.00%, 12/15/38	20,495,000	25,437,984
Series B, 5.25%, 6/15/36	10,000,000	10,465,200
Series D, 5.25%, 12/15/23	50,000,000	58,416,500
New Jersey State Turnpike Authority Turnpike Revenue, Growth and Income Securities, Series B, AMBAC Insured, zero cpn. to 1/01/15, 5.15% thereafter, 1/01/35	10,000,000	9,532,000
Series E, 5.25%, 1/01/40	13,925,000	14,635,175
		<u>358,397,582</u>
New York 7.3%		
Long Island Power Authority Electric System Revenue, General, Refunding, Series A, 6.00%, 5/01/33	12,500,000	13,975,500
MTA Dedicated Tax Fund Revenue, Series B, 5.25%, 11/15/28	6,000,000	6,508,440
5.25%, 11/15/29	4,000,000	4,329,960
5.25%, 11/15/30	3,000,000	3,244,110
5.00%, 11/15/34	15,000,000	15,657,300
MTA Revenue, Transportation, Refunding, Series D, 5.25%, 11/15/40	15,000,000	15,488,700
Series A, 5.00%, 11/15/37	25,000,000	25,299,250
Series A, 5.00%, 11/15/38	11,800,000	12,069,158
Series C, 6.50%, 11/15/28	15,000,000	17,802,600
Series D, 5.00%, 11/15/34	10,000,000	10,286,100
Series D, 5.00%, 11/15/36	9,500,000	9,733,320
Sub Series A-1, 5.00%, 11/15/40	30,000,000	30,569,100
New York City GO, Refunding, Series C, 5.00%, 8/01/23	24,620,000	28,046,119
Series D, 5.50%, 6/01/24	185,000	185,618
Series E, Sub Series E-1, 6.25%, 10/15/28	10,000,000	11,723,600
Series F, 5.25%, 1/15/23	225,000	225,713
Sub Series F-1, 5.00%, 3/01/30	20,000,000	21,753,400
New York City Municipal Water Finance Authority Water and Sewer System Revenue, Fiscal 2009, Series A, 5.75%, 6/15/40	6,000,000	6,637,320
Second General Resolution, Fiscal 2008, Refunding, Series AA, 5.00%, 6/15/37	10,000,000	10,292,000

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
New York (continued)		
New York City Municipal Water Finance Authority Water and Sewer System Revenue, (continued)		
Second General Resolution, Fiscal 2009, Refunding, Series EE, 5.25%, 6/15/40	\$ 64,970,000	\$ 69,013,083
Second General Resolution, Fiscal 2009, Refunding, Series FF-2, 5.50%, 6/15/40	15,000,000	16,159,200
Second General Resolution, Fiscal 2012, Refunding, Series AA, 5.00%, 6/15/34	10,000,000	10,536,100
Second General Resolution, Fiscal 2013, Refunding, Series DD, 5.00%, 6/15/35	30,705,000	32,679,639
New York City Transitional Finance Authority Building Aid Revenue,		
Fiscal 2009, Series S-2, 6.00%, 7/15/38	20,000,000	22,422,000
Fiscal 2009, Series S-3, 5.25%, 1/15/34	10,170,000	11,073,605
Fiscal 2009, Series S-4, 5.50%, 1/15/34	12,890,000	14,252,344
Fiscal 2011, Series S-2, Sub Series S-2A, 5.00%, 7/15/40	35,000,000	36,010,450
Fiscal 2012, Series S-1, Sub Series S-1A, 5.25%, 7/15/37	5,300,000	5,619,431
New York City Transitional Finance Authority Revenue, Future Tax Secured,		
Fiscal 2011, sub. bond, Series C, 5.00%, 11/01/39	15,000,000	15,738,750
Fiscal 2012, sub. bond, Series E, Subseries E-1, 5.00%, 2/01/42	9,000,000	9,381,870
^a Series A, Sub Series A-1, 5.00%, 11/01/34	15,000,000	16,008,600
Series D, 5.00%, 2/01/27	935,000	937,777
New York Convention Center Development Corp. Revenue, Hotel Unit Fee Secured, AMBAC Insured, 5.00%, 11/15/30	10,000,000	10,446,800
New York Liberty Development Corp. Liberty Revenue,		
One World Trade Center, Port Authority Consolidated, 5.25%, 12/15/43	25,000,000	26,192,000
Second Priority, Bank of America Tower at One Bryant Park Project, Class 1, Refunding, 5.625%, 1/15/46	25,000,000	26,587,250
Seven World Trade Center Project, Refunding, 5.00%, 9/15/40	5,000,000	5,225,500
Seven World Trade Center Project, Refunding, 5.00%, 9/15/43	6,500,000	6,570,460
New York Liberty Development Corp. Revenue, Goldman Sachs Headquarters Issue, 5.25%, 10/01/35	40,000,000	42,987,200
5.50%, 10/01/37	24,995,000	27,390,771
New York State Dormitory Authority Lease Revenue, State University Dormitory Facilities, Series A, 5.00%, 7/01/41	10,000,000	10,346,400
New York State Dormitory Authority Revenues, State Supported Debt, Upstate Community Colleges,		
Refunding, Series A, 5.00%, 7/01/28	1,535,000	1,537,563
Series C, 6.00%, 7/01/31	23,215,000	25,790,936
New York State Dormitory Authority State Personal Income Tax Revenue, General Purpose, Series A, 5.00%, 2/15/36	15,000,000	15,877,800
New York State HFAR, Housing Project Mortgage, Refunding, Series A, AGMC Insured, 6.10%, 11/01/15	175,000	175,432
6.125%, 11/01/20	240,000	240,418
New York State Urban Development Corp. Revenue, State Personal Income Tax, General Purpose, Series A, 5.00%, 3/15/31	10,000,000	10,724,000
State Facilities and Equipment, Series B-1, 5.00%, 3/15/36	5,000,000	5,343,350
Port Authority of New York and New Jersey Revenue, Consolidated, One Hundred Seventy-First Series, 4.00%, 7/15/35	18,000,000	17,665,920
Triborough Bridge and Tunnel Authority Revenue, General Purpose, Series B, Pre-Refunded, 5.50%, 1/01/30	15,000,000	18,726,000
Triborough Bridge and Tunnel Authority Revenues, General, MTA Bridges and Tunnels, Series A, 5.25%, 11/15/38	25,000,000	26,071,750
Series A-2, 5.25%, 11/15/34	7,500,000	7,916,100
		789,475,807

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
North Carolina 2.3%		
Charlotte Airport Revenue, Series A, NATL Insured, 5.00%, 7/01/34	\$ 6,000,000	\$ 6,053,280
Charlotte COP,		
Cultural Arts Facilities, Refunding, Series E, 5.00%, 6/01/34	13,000,000	13,433,160
Transit Projects, Phase II, Series E, 5.00%, 6/01/30	15,940,000	16,625,739
North Carolina Eastern Municipal Power Agency Power System Revenue,		
Refunding, Series B, 6.00%, 1/01/22	1,250,000	1,532,638
Refunding, Series B, 6.25%, 1/01/23	39,030,000	48,727,394
Series A, 5.50%, 1/01/26	4,500,000	4,965,615
North Carolina Medical Care Commission Revenue, Rowan Regional Medical Center Project, FHA Insured, Pre-Refunded, 4.75%, 9/01/24	6,970,000	7,229,772
North Carolina State Capital Improvement Limited Obligation Revenue, Series A, 5.00%, 5/01/23	20,000,000	22,926,200
5/01/24	5,500,000	6,307,455
5/01/25	5,750,000	6,574,952
5/01/26	20,000,000	22,442,800
5/01/27	4,500,000	5,093,370
5/01/28	4,250,000	4,763,995
North Carolina Turnpike Authority Triangle Expressway System Revenue,		
Capital Appreciation, Series B, Assured Guaranty, zero cpn., 1/01/33	25,000,000	9,761,750
Capital Appreciation, Series B, Assured Guaranty, zero cpn., 1/01/34	15,000,000	5,532,750
Capital Appreciation, Series B, Assured Guaranty, zero cpn., 1/01/35	15,215,000	5,363,287
Series A, Assured Guaranty, 5.50%, 1/01/29	6,750,000	7,354,867
Series A, Assured Guaranty, 5.75%, 1/01/39	10,380,000	11,203,030
Pender County Revenue, Limited Obligation, Refunding, 4.50%, 6/01/44	7,540,000	7,249,107
Raleigh Combined Enterprise System Revenue, 5.00%, 3/01/40	13,115,000	13,845,899
Wake County GO, Refunding, Series C, 5.00%, 3/01/25	21,780,000	26,566,591
		<u>253,553,651</u>
North Dakota 0.3%		
Grand Forks Health Care System Revenue, Altru Health System Obligated Group,		
Assured Guaranty, 5.00%, 12/01/26	8,385,000	8,648,457
Refunding, 5.50%, 12/01/20	8,870,000	9,621,732
Refunding, 5.50%, 12/01/24	13,945,000	14,685,898
		<u>32,956,087</u>
Ohio 3.4%		
Akron Income Tax Revenue, Community Learning Centers,		
Refunding, Series A, 5.00%, 12/01/29	10,000,000	10,779,600
Series A, NATL RE, FGIC Insured, Pre-Refunded, 5.00%, 12/01/26	6,085,000	6,106,237
Series A, NATL RE, FGIC Insured, Pre-Refunded, 5.00%, 12/01/27	3,185,000	3,196,116
American Municipal Power-Ohio Inc. Revenue,		
Fremont Energy Center Project, Series B, 5.00%, 2/15/42	14,000,000	14,064,960
Prairie State Energy Campus Project, Refunding, Series A, 5.00%, 2/15/38	22,500,000	22,931,775
Bowling Green Student Housing Revenue, CFP I LLC, State University Project, 6.00%, 6/01/45	6,750,000	6,956,213
Buckeye Tobacco Settlement Financing Authority Revenue, Asset-Backed,		
Senior Capital Appreciation Turbo Term Bond, Series A-3, 6.25%, 6/01/37	15,000,000	12,234,000
Senior Current Interest Turbo Term Bond, Series A-2, 5.875%, 6/01/30	22,500,000	18,274,725
Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34	11,250,000	8,790,525

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Ohio (continued)		
Cleveland State University General Receipt Revenue, NATL RE, FGIC Insured, Pre-Refunded, 5.00%, 6/01/29	\$ 5,000,000	\$ 5,136,900
Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37	6,000,000	6,343,440
Hamilton County Sewer System Revenue, The Metropolitan Sewer District of Greater Cincinnati, Improvement and Refunding, Series A, 5.00%, 12/01/38	12,000,000	12,650,280
JobsOhio Beverage System Statewide Liquor Profits Revenue, senior lien, Series A, 5.00%, 1/01/38	21,060,000	21,603,137
Kent State University Revenues, General Receipts, Series A, 5.00%, 5/01/37	10,500,000	10,740,450
Kettering City School District GO, School Improvement, FGIC Insured, Pre-Refunded, 5.00%, 12/01/30	1,860,000	1,866,491
Lancaster City School District GO, School Facilities Construction and Improvement, 5.00%, 10/01/49	7,505,000	7,666,958
Little Miami Local School District GO, School Improvement, AGMC Insured, Pre-Refunded, 5.00%, 12/01/34	4,000,000	4,537,560
Maple Heights City School District GO, School Facilities Improvement, 5.00%, 1/15/37	23,890,000	24,816,454
Pre-Refunded, 5.00%, 1/15/37	5,480,000	6,232,404
Marysville Wastewater Treatment System Revenue, Refunding, XLCA Insured, 5.00%, 12/01/31	8,000,000	8,182,400
12/01/36	13,725,000	13,907,542
Northeast Ohio Regional Sewer District Revenue, Wastewater Improvement, 5.00%, 11/15/38	15,000,000	15,837,600
Ohio State Air Quality Development Authority Revenue, Environmental Improvement, Buckeye Power Inc. Project, 6.00%, 12/01/40	15,000,000	15,656,850
Pollution Control, FirstEnergy Generation Corp. Project, Refunding, Series C, 5.625%, 6/01/18	8,500,000	9,249,360
Ohio State GO, Infrastructure Improvement, Series A, 5.375%, 9/01/28	10,000,000	11,170,600
Ohio State Turnpike Commission Revenue, junior lien, Series A-3, zero cpn. to 2/14/23, 5.75% thereafter, 2/15/35	35,000,000	21,396,550
Ohio State University Revenue, Special Purpose General Receipts, Series A, 5.00%, 6/01/38	20,060,000	21,103,521
Ohio State Water Development Authority PCR, FirstEnergy Nuclear Generation Corp. Project, Mandatory Put 6/01/16, Refunding, Series A, 5.875%, 6/01/33	13,000,000	14,065,870
Scioto County Hospital Revenue, Southern Ohio Medical Center, Refunding, 5.75%, 2/15/38	17,000,000	17,550,120
Toledo Water System Revenue, Improvement and Refunding, 5.00%, 11/15/38	20,000,000	20,767,600
		<u>373,816,238</u>
Oregon 0.8%		
Oregon Health and Science University Revenue, Series A, 5.75%, 7/01/39	5,000,000	5,381,000
Oregon State Department of Transportation Highway User Tax Revenue, senior lien, Series A, 4.50%, 11/15/32	30,000,000	30,890,100
Oregon State GO, State Board of Higher Education, Series A, Pre-Refunded, 5.00%, 8/01/26	3,340,000	3,607,167
8/01/26	3,290,000	3,556,161
8/01/27	3,505,000	3,785,365
8/01/27	3,450,000	3,729,105
Port of Portland International Airport Revenue, Series Nineteen, 5.50%, 7/01/38	25,000,000	26,951,250

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Oregon (continued)		
Portland Sewer System Revenue, second lien, Series A, 5.00%, 3/01/35	\$ 11,540,000	\$ 12,257,903
		<u>90,158,051</u>
Pennsylvania 2.7%		
Centennial School District Bucks County GO, Series B, AGMC Insured, 5.25%, 12/15/37	13,655,000	14,897,468
Coatesville Area School District GO, AGMC Insured, 5.00%, 8/01/24	6,420,000	6,805,264
Commonwealth Financing Authority Revenue, Series B, 5.00%, 6/01/42	5,400,000	5,474,952
Delaware Valley Regional Finance Authority Local Government Revenue, Series B, AMBAC Insured, 5.60%, 7/01/17	5,000,000	5,577,050
Northampton County General Purpose Authority Hospital Revenue, St. Luke's Hospital Project, Series A, 5.375%, 8/15/28	5,000,000	5,053,000
Pennsylvania State Economic Development Financing Authority Exempt Facilities Revenue, Allegheny Energy Supply Co. LLC Project, 7.00%, 7/15/39	20,000,000	20,079,800
Pennsylvania State Economic Development Financing Authority Water Facilities Revenue, Aqua Pennsylvania Inc. Project, Series B, 5.00%, 12/01/43	20,000,000	20,344,800
Pennsylvania State Economic Development Financing Authority Water Facility Revenue, Pennsylvania-American Water Co. Project, 6.20%, 4/01/39	12,500,000	13,540,125
Pennsylvania State Higher Educational Facilities Authority Revenue, Temple University, Refunding, NATL Insured, 5.00%, 4/01/33	13,225,000	13,601,384
Pennsylvania State Turnpike Commission Turnpike Revenue, Capital Appreciation, Series C, AGMC Insured, zero cpn. to 6/01/16, 6.25% thereafter, 6/01/33	5,000,000	4,905,950
Motor License Fund-Enhanced, Subordinate, Series A, 5.00%, 12/01/37	3,000,000	3,065,850
Motor License Fund-Enhanced, Subordinate, Series A, Sub Series A-1, 5.00%, 12/01/38	20,000,000	20,313,000
Refunding, Series C, Sub Series C-1, Assured Guaranty, 6.00%, 6/01/28	5,000,000	5,668,300
Refunding, Series C, Sub Series C-1, Assured Guaranty, 6.25%, 6/01/38	15,000,000	16,396,950
sub. bond, Series B, 5.75%, 6/01/39	20,000,000	20,988,200
Philadelphia Gas Works Revenue, Fifth Series A-1, AGMC Insured, 5.00%, 9/01/29	5,000,000	5,042,600
Philadelphia GO, Refunding, Series A, Assured Guaranty, 5.00%, 8/01/24	11,000,000	11,832,810
Philadelphia Hospitals and Higher Educational Facilities Authority Revenue, Mortgage, North Philadelphia Health Systems, Refunding, Series A, FHA Insured, 5.30%, 1/01/18	1,150,000	1,153,795
5.35%, 1/01/23	5,690,000	5,707,070
5.375%, 1/01/28	3,700,000	3,703,922
Philadelphia Municipal Authority Revenue, Lease, 6.375%, 4/01/29	4,500,000	4,966,650
Philadelphia RDAR, Neighborhood Transformation Initiative, Series C, NATL RE, FGIC Insured, 5.00%, 4/15/29	10,965,000	11,080,242
4/15/30	12,000,000	12,106,080
Philadelphia School District GO, Series E, 6.00%, 9/01/38	25,000,000	26,719,250
Philadelphia Water and Wastewater Revenue, Series A, 5.25%, 1/01/25	1,000,000	1,099,670
5.00%, 1/01/26	5,000,000	5,387,450
5.00%, 1/01/27	1,750,000	1,872,763
5.25%, 1/01/32	5,000,000	5,290,700
Pittsburgh and Allegheny County Sports and Exhibition Authority Hotel Room Regional Enterprise Tower Revenue, Refunding, Assured Guaranty, 5.00%, 2/01/35	18,000,000	18,224,460
		<u>290,899,555</u>

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Rhode Island 1.2%		
Narragansett Bay Commission Wastewater System Revenue, Series A, NATL Insured, 5.00%, 8/01/30	\$ 7,990,000	\$ 8,160,187
Rhode Island Convention Center Authority Revenue, Refunding, Series A, Assured Guaranty, 5.50%, 5/15/27	17,300,000	18,780,707
Rhode Island Housing and Mortgage Finance Corp. Revenue, Homeownership Opportunity, Refunding, Series 15-A, 6.85%, 10/01/24	620,000	620,974
Series 10-A, 6.50%, 10/01/22	475,000	475,489
Series 10-A, 6.50%, 4/01/27	265,000	265,228
Rhode Island State EDC Airport Revenue, Series B, NATL Insured, 5.00%, 7/01/27	12,280,000	12,440,745
7/01/30	14,965,000	15,070,354
Rhode Island State Health and Educational Building Corp. Higher Education Facilities Revenue, Brown University Issue, Refunding, Series A, 5.00%, 9/01/39	9,000,000	9,424,710
Rhode Island State Health and Educational Building Corp. Higher Education Facility Revenue, New England Institute of Technology Issue, Series A, 5.125%, 3/01/40	16,435,000	16,677,416
Rhode Island State Health and Educational Building Corp. Revenue, Higher Education Facility, Board of Governors for Higher Education, University of Rhode Island, Educational and General Issue, Refunding, Series G, AMBAC, 5.00%, 9/15/30	10,000,000	10,300,400
Hospital Financing, Lifespan Obligated Group Issue, Refunding, Series A, AGMC Insured, 5.00%, 5/15/26	5,000,000	5,171,300
Hospital Financing, Lifespan Obligated Group Issue, Refunding, Series A, AGMC Insured, 5.00%, 5/15/32	12,440,000	12,646,255
Hospital Financing, Lifespan Obligated Group Issue, Series A, 7.00%, 5/15/39	8,200,000	8,991,710
Public Schools, Bond Financing Program, Town of East Greenwich Issue, Series A, 5.00%, 5/15/37	10,585,000	<u>11,132,350</u>
		<u>130,157,825</u>
South Carolina 1.6%		
Charleston Educational Excellence Finance Corp. Revenue, Charleston County School District Project, Pre-Refunded, 5.25%, 12/01/30	8,000,000	8,799,840
Greenville County School District Installment Purchase Revenue, Building Equity Sooner for Tomorrow, Refunding, 5.00%, 12/01/28	7,500,000	7,934,700
Greenwood Fifty School Facilities Inc. Installment Purchase Revenue, Greenwood School District No. 50, South Carolina Project, Refunding, Assured Guaranty, 4.50%, 12/01/32	7,030,000	7,187,190
Lancaster Educational Assistance Program Inc. Revenue, School District of Lancaster County Project, Pre-Refunded, 5.00%, 12/01/26	12,300,000	12,925,209
Medical University of South Carolina Hospital Authority Hospital Facilities Revenue, Mortgage, Series A, NATL Insured, Pre-Refunded, 5.00%, 8/15/31	10,910,000	11,307,124
Newberry Investing in Children's Education Installment Revenue, Newberry County School District Project, 5.00%, 12/01/30	4,000,000	4,157,040
Piedmont Municipal Power Agency Electric Revenue, Series A-2, 5.00%, 1/01/24	10,000,000	10,686,800
SCAGO Educational Facilities Corp. for Beaufort School District Revenue, Installment Purchase, School District of Beaufort County Project, Refunding, AGMC Insured, 5.00%, 12/01/31	5,340,000	5,593,490
SCAGO Educational Facilities Corp. for Chesterfield School District Revenue, Installment Purchase, Chesterfield County School District Project, Assured Guaranty, 5.00%, 12/01/29	7,500,000	7,887,375

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
South Carolina (continued)		
SCAGO Educational Facilities Corp. for Colleton School District Revenue, Installment Purchase, School District of Colleton Project, Assured Guaranty, 5.00%, 12/01/25	\$ 3,340,000	\$ 3,523,533
12/01/26	4,000,000	4,204,200
SCAGO Educational Facilities Corp. for Pickens School District Revenue, Installment Purchase, School District of Pickens County Project, AGMC Insured, 5.00%, 12/01/25	18,900,000	20,161,386
12/01/31	10,000,000	10,268,600
South Carolina Jobs EDA Hospital Revenue, AnMed Health Project, Refunding and Improvement, Series B, Assured Guaranty, 5.375%, 2/01/29	4,000,000	4,243,800
Palmetto Health, Refunding, Series A, AGMC Insured, 5.00%, 8/01/35	20,000,000	19,998,400
Palmetto Health, Refunding and Improvement, 5.75%, 8/01/39	3,000,000	3,119,880
South Carolina State Public Service Authority Revenue, Refunding, Series A, 5.50%, 1/01/38	7,500,000	8,109,675
Series B, 5.25%, 1/01/34	6,000,000	6,297,480
University of South Carolina Higher Education Revenue, Special Moore School Business Project, 5.00%, 5/01/32	11,490,000	<u>12,276,031</u>
		<u>168,681,753</u>
South Dakota 0.4%		
Huron School District No. 2-2 GO, 5.00%, 6/15/39	4,000,000	4,006,080
South Dakota State Health and Educational Facilities Authority Revenue, Avera Health Issue, Series B, 5.50%, 7/01/35	3,000,000	3,111,810
Avera Health Issue, Series B, 5.25%, 7/01/38	5,000,000	5,115,550
Sanford Health, 5.00%, 11/01/27	2,355,000	2,482,735
Sanford Health, 5.00%, 11/01/40	12,945,000	12,869,013
Vocational Education Program, Refunding, Series A, 5.00%, 8/01/46	6,005,000	6,038,328
Vocational Education Program, Series A, 5.125%, 8/01/46	7,000,000	7,158,690
		<u>40,782,206</u>
Tennessee 0.3%		
Knox County Health Educational and Housing Facility Board Revenue, University Health System Inc., Refunding, 5.25%, 4/01/27	17,500,000	17,837,400
Metropolitan Government of Nashville and Davidson County Water and Sewer Revenue, Refunding, 5.00%, 7/01/40	5,000,000	5,273,900
Tennessee HDA Residential Financing Program Revenue, Issue 1C, 4.00%, 7/01/43	14,475,000	<u>13,078,162</u>
		<u>36,189,462</u>
Texas 9.0%		
Allen ISD, GO, Collin County, School Building Unlimited Tax, Series A, 5.00%, 2/15/39	11,575,000	12,532,021
Austin Community College District Public Facility Corp. Revenue, Educational Facility Project, Round Rock Campus, 5.25%, 8/01/33	8,675,000	9,490,710
Hays New Campus Project, 5.00%, 8/01/36	5,700,000	5,899,500
Austin ISD, GO, Travis County, Unlimited Tax, Refunding, 5.00%, 8/01/33	10,000,000	10,689,800
Austin Water and Wastewater System Revenue, Refunding, Series A, 5.00%, 11/15/38	20,000,000	20,989,000
Bexar County GO, Certificates of Obligation, Combined Flood Control Tax and Revenue, AGMC Insured, 5.00%, 6/15/37	20,000,000	21,151,600

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Texas (continued)		
Bexar County Hospital District GO, Certificates of Obligation, Combination Tax and Revenue, 5.00%, 2/15/38	\$ 10,000,000	\$ 10,405,000
Central Texas Regional Mobility Authority Revenue, senior lien, Refunding, 6.00%, 1/01/41	14,000,000	14,177,100
Corpus Christi Utility System Revenue, junior lien, Refunding, 5.00%, 7/15/37	12,625,000	13,010,062
Crowley ISD, GO, Tarrant and Johnson Counties, Unlimited Tax School Building, PSF Guarantee, 5.00%, 8/01/36	13,900,000	14,865,077
Dallas Civic Center Revenue, Refunding and Improvement, Assured Guaranty, 5.25%, 8/15/34	18,975,000	19,887,318
Dallas County Utility and Reclamation District GO, Refunding, Series A, AMBAC Insured, 5.375%, 2/15/29	28,325,000	30,153,379
Dallas Waterworks and Sewer System Revenue, Refunding, 5.00%, 10/01/35	10,000,000	10,703,700
Dallas/Fort Worth International Airport Revenue, Joint, Refunding, Series D, 5.25%, 11/01/32	10,000,000	10,573,300
Joint Improvement, Refunding, Series C, 5.00%, 11/01/45	25,250,000	25,169,705
Joint Improvement, Series A, 5.00%, 11/01/42	25,000,000	25,102,250
Joint Improvement, Series B, 5.00%, 11/01/38	15,000,000	15,238,800
Denton ISD, GO, Unlimited Tax School Building, PSF Guarantee, 5.00%, 8/15/38	15,710,000	16,881,809
Ector County ISD, GO, Unlimited Tax School Building, 5.00%, 8/15/36	10,355,000	11,098,903
Forney ISD, GO, Unlimited Tax School Building, Series A, PSF Guarantee, 6.00%, 8/15/37	2,000,000	2,259,420
Fort Bend Grand Parkway Toll Road Authority Ltd. Contract Tax Toll Revenue, sub. lien, 5.00%, 3/01/42	7,000,000	7,299,530
Goose Creek Consolidated ISD, GO, Unlimited Tax Schoolhouse, PSF Guarantee, 5.00%, 2/15/38	6,045,000	6,451,345
Grand Parkway Transportation Corp. System Toll Revenue, Series B, zero cpn. to 9/30/23, 5.80% thereafter, 10/01/45	10,000,000	5,779,600
Harris County Health Facilities Development Corp. Hospital Revenue, Memorial Hermann Healthcare System, Series B, Pre-Refunded, 7.25%, 12/01/35	13,500,000	17,522,865
Harris County Hospital District Revenue, senior lien, Refunding, Series A, NATL Insured, 5.125%, 2/15/32	10,215,000	10,522,982
Harris County MTA Revenue, Contractual Obligations, Series B, 5.00%, 11/01/33	10,000,000	10,506,100
Hays County GO, Unlimited Tax Road Bonds, 5.00%, 2/15/36	6,960,000	7,264,013
Houston Airport System Revenue, Refunding, second lien, Series A, 5.50%, 7/01/34	5,000,000	5,405,850
7/01/39	30,850,000	33,175,781
Houston Utility System Revenue, Combined, first lien, Refunding, Series D, 5.00%, 11/15/36	10,000,000	10,526,300
Keller ISD, GO, Unlimited Tax School Building, 5.50%, 2/15/35	10,000,000	11,195,900
La Joya ISD, GO, Unlimited Tax, Refunding, 5.00%, 2/15/34	5,350,000	5,927,372
Laredo Waterworks Sewer System Revenue, 5.25%, 3/01/40	16,535,000	17,678,561
AGMC Insured, 5.00%, 3/01/41	2,500,000	2,547,400
Lower Colorado River Authority Revenue, Improvement, Refunding, Series A, NATL Insured, 5.00%, 5/15/26	55,000	55,103
Lower Colorado River Authority Transmission Contract Revenue, LCRA Transmission Services Corp. Project, Refunding, 5.50%, 5/15/36	15,310,000	16,251,565
Series A, 5.00%, 5/15/36	10,000,000	10,212,700
Lubbock ISD, GO, Unlimited Tax School Building, PSF Guarantee, 5.00%, 2/15/41	5,000,000	5,325,700

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Texas (continued)		
Lufkin Health Facilities Development Corp. Revenue, Memorial Health System of East Texas, Refunding and Improvement, 6.25%, 2/15/37	\$ 5,000,000	\$ 5,082,350
Manor ISD, GO, Unlimited Tax School Building, PSF Guarantee, 5.00%, 8/01/37	8,175,000	8,568,463
Matagorda County Hospital District Revenue, FHA Insured, 5.00%, 2/15/35	10,000,000	10,079,500
Midland County Fresh Water Supply District No. 1 Revenue, City of Midland Project, Refunding, Series A, 5.00%, 9/15/40	5,000,000	5,217,900
North Fort Bend Water Authority Water System Revenue, Assured Guaranty, 5.25%, 12/15/34	20,000,000	21,109,600
North Harris County Regional Water Authority Revenue, senior lien, 5.25%, 12/15/33	27,000,000	28,544,940
5.50%, 12/15/38	25,000,000	26,538,750
North Texas Tollway Authority Revenue, Special Projects System, Capital Appreciation, first tier, Refunding, Series I, zero cpn. to 1/01/15, 6.50% thereafter, 1/01/43	25,000,000	26,740,000
Special Projects System, Capital Appreciation, Series B, zero cpn., 9/01/37	7,500,000	1,882,800
Special Projects System, Capital Appreciation, Series B, zero cpn., 9/01/43	7,500,000	1,173,225
Special Projects System, Capital Appreciation, Series C, zero cpn. to 9/01/21, 6.75% thereafter, 9/01/45	25,000,000	18,153,250
System, first tier, Refunding, Series A, 6.25%, 1/01/39	12,500,000	13,865,375
System, first tier, Refunding, Series A, 5.75%, 1/01/40	35,000,000	36,869,350
System, first tier, Refunding, Series K, Sub Series K-2, 6.00%, 1/01/38	15,000,000	16,260,600
System, second tier, Refunding, Series F, 5.75%, 1/01/38	30,000,000	31,335,600
Port of Houston Authority Harris County GO, Refunding, Series A, 5.625%, 10/01/38	14,000,000	14,780,220
Rio Grande City Consolidated ISD, GO, Unlimited Tax School Building, PSF Guarantee, 5.00%, 8/15/37	10,510,000	10,982,845
San Antonio Electric and Gas Systems Revenue, junior lien, 5.00%, 2/01/38	10,000,000	10,497,300
San Antonio Public Facilities Corp. Lease Revenue, Refunding and Improvement, Convention Center Refinancing and Expansion Project, 4.00%, 9/15/34	12,000,000	11,010,960
9/15/42	41,000,000	35,191,120
San Jacinto River Authority Special Project Revenue, Group Project, AGMC Insured, 5.00%, 10/01/32	5,000,000	5,120,350
10/01/37	3,000,000	3,045,810
Southwest Higher Education Authority Revenue, Southern Methodist University Project, Series A, 5.00%, 10/01/38	34,380,000	35,964,230
Tarrant County Cultural Education Facilities Finance Corp. Hospital Revenue, Cook Children's Medical Center, Refunding, Series A, 5.25%, 12/01/39	10,000,000	10,388,100
Tarrant County Health Facilities Development Corp. Health System Revenue, Harris Methodist Health System, FGIC Insured, ETM, 6.00%, 9/01/24	4,000,000	4,892,720
Tarrant Regional Water District Water Revenue, Refunding and Improvement, 5.00%, 3/01/37	10,000,000	10,556,400
Texas City IDC Marine Terminal Revenue, ARCO Pipe Line Co. Project, Refunding, 7.375%, 10/01/20	500,000	649,645
Texas State GO, Water Financial Assistance, Refunding, Series C-1, 5.00%, 8/01/34	7,000,000	7,598,150
Texas State Municipal Power Agency Revenue, sub. lien, Transmission, Refunding, 5.00%, 9/01/40	15,250,000	15,593,735
Texas State Revenue, Transportation Commission-Mobility Fund, Series A, 5.00%, 4/01/33	10,000,000	10,682,800

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Texas (continued)		
Texas State Transportation Commission Turnpike System Revenue, first tier, Refunding, Series A, 5.00%, 8/15/41	\$ 7,500,000	\$ 7,345,050
Texas State Turnpike Authority Central Turnpike System Revenue, Capital Appreciation, AMBAC Insured, zero cpn., 8/15/31	43,500,000	15,074,490
Texas State University System Financing Revenue, Refunding, AGMC Insured, 5.00%, 3/15/26	6,425,000	6,979,028
Tyler Health Facilities Development Corp. Hospital Revenue, East Texas Medical Center, Regional Healthcare System Project, Refunding and Improvement, Series A, 5.25%, 11/01/32	6,250,000	5,898,563
Waco Education Finance Corp. Revenue, Baylor University Issue, Refunding, 5.00%, 3/01/43	16,000,000	<u>16,326,400</u>
		<u>973,926,740</u>
Utah 1.4%		
Central Utah Water Conservancy District Water Revenue, Series C, 5.00%, 10/01/42	10,000,000	10,566,100
Intermountain Power Agency Power Supply Revenue, ETM, 6.15%, 7/01/14	4,305,000	4,442,157
Jordan Valley Water Conservancy District Water Revenue, Series B, 5.00%, 10/01/41	15,000,000	15,688,350
Metropolitan Water District Salt Lake and Sandy Water Revenue, Refunding, Series A, 5.00%, 7/01/37	13,950,000	14,679,724
South Valley Water Reclamation Facility Sewer Revenue, AMBAC Insured, 5.00%, 8/15/30	5,730,000	5,834,916
St. George Electric Revenue, AGMC Insured, 5.00%, 6/01/33	5,000,000	5,131,200
St. George Electric Revenue, AGMC Insured, 5.00%, 6/01/38	5,000,000	5,081,450
State Board of Regents University of Utah Revenue, General, Refunding, Series A, 5.00%, 8/01/43	21,975,000	23,026,504
Uintah County Municipal Building Authority Lease Revenue, 5.50%, 6/01/37	5,000,000	5,137,850
Utah Associated Municipal Power Systems Revenue, Central St. George Project, Refunding, 5.25%, 12/01/27	9,735,000	10,213,670
Utah State Transit Authority Sales Tax Revenue, Series A, 5.25%, 6/15/38	13,185,000	13,986,121
AGMC Insured, 5.00%, 6/15/36	33,000,000	34,687,620
Weber Basin Water Conservancy District Water Revenue, Series B, 5.00%, 4/01/39	7,180,000	<u>7,519,901</u>
		<u>155,995,563</u>
Vermont 0.6%		
University of Vermont and State Agricultural College Revenue, Refunding, NATL Insured, 5.00%, 10/01/30	12,210,000	12,769,706
Vermont Educational and Health Buildings Financing Agency Revenue, Hospital, Fletcher Allen Health Care Project, Refunding, Series B, AGMC Insured, 5.00%, 12/01/34	5,500,000	5,562,480
Hospital, Fletcher Allen Health Care Project, Series A, 4.75%, 12/01/36	5,000,000	4,580,150
Middlebury College Project, Refunding, 5.00%, 11/01/38	10,000,000	10,446,600
Middlebury College Project, Refunding, 5.00%, 11/01/40	26,565,000	<u>27,758,566</u>
		<u>61,117,502</u>
Virginia 0.4%		
Fairfax County EDA Facility Revenue, Community Services Facilities Project, Series A, 4.50%, 3/01/37	11,130,000	11,150,034
Greater Richmond Convention Center Authority Hotel Tax Revenue, Refunding, NATL Insured, 5.00%, 6/15/30	6,000,000	6,174,780

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Virginia (continued)		
Norfolk Parking System Revenue, Series A, NATL Insured, Pre-Refunded, 5.00%, 2/01/27 . . .	\$ 5,000,000	\$ 5,296,150
Virginia State Resources Authority Infrastructure Revenue, Virginia Pooled Financing Program, Series A, 5.00%, 11/01/39	12,355,000	12,919,129
Series A-1, 5.00%, 11/01/41	6,675,000	6,959,622
		<u>42,499,715</u>
Washington 3.2%		
Bellevue GO, Refunding, Limited Tax, 5.00%, 12/01/37	12,000,000	12,755,760
Bellingham Housing Authority Revenue, Pacific Rim and Cascade Meadows Project, Refunding, NATL Insured, 5.20%, 11/01/27	200,000	202,244
Central Puget Sound Regional Transportation Authority Sales and Use Tax Revenue, Series A, 5.00%, 11/01/34	11,405,000	11,941,491
FYI Properties Lease Revenue, Washington State District Project, 5.50%, 6/01/34	11,935,000	12,716,623
6/01/39	16,250,000	17,140,662
Goat Hill Properties Lease Revenue, Government Office Building Project, NATL Insured, 5.00%, 12/01/33	18,500,000	18,826,155
King County GO, Limited Tax, Sewer Revenues, 5.125%, 1/01/33	10,000,000	10,902,800
King County Public Hospital District No. 1 GO, Series B, 5.25%, 12/01/37	5,000,000	5,149,100
King County Sewer Revenue, Refunding, 5.00%, 1/01/32	7,085,000	7,558,987
NJB Properties Lease Revenue, King County Washington Project, Series A, 5.00%, 12/01/36	10,000,000	10,394,600
Pierce County School District No. 400 Clover Park GO, 4.00%, 12/01/29	5,000,000	5,095,250
Washington State GO, Motor Vehicle Fuel Tax, Senior 520 Corridor Program Toll, Series C, 5.00%, 6/01/33 . . .	5,000,000	5,330,450
Motor Vehicle Fuel Tax, Series B-1, 4.00%, 8/01/37	6,435,000	5,933,456
Motor Vehicle Fuel Tax, Series B-1, 4.00%, 8/01/42	19,530,000	17,507,668
Various Purpose, Series A, 5.00%, 7/01/33	44,300,000	47,208,295
Various Purpose, Series A, 4.00%, 8/01/37	20,080,000	18,514,965
Washington State Health Care Facilities Authority Revenue, Central Washington Health Services Assn., 6.75%, 7/01/29	5,000,000	5,553,250
Fred Hutchinson Cancer Research Center, Refunding, Series A, 6.00%, 1/01/33	7,500,000	7,974,900
MultiCare Health System, Series B, AGMC Insured, 5.00%, 8/15/34	17,550,000	17,503,668
MultiCare Health System, Series B, AGMC Insured, 5.00%, 8/15/41	9,170,000	9,169,266
MultiCare Health System, Series B, Assured Guaranty, 6.00%, 8/15/39	1,500,000	1,603,020
Providence Health and Services, Refunding, Series A, 5.00%, 10/01/42	10,175,000	10,128,297
Providence Health and Services, Refunding, Series A, NATL RE, FGIC Insured, 5.00%, 10/01/36	9,750,000	9,843,990
Providence Health and Services, Refunding, Series C, AGMC Insured, 5.25%, 10/01/33	10,000,000	10,667,900
Providence Health and Services, Series A, FGIC Insured, Pre-Refunded, 5.00%, 10/01/36	250,000	280,865
Virginia Mason Medical Center, Series B, ACA Insured, 6.00%, 8/15/37	30,000,000	30,543,300
Virginia Mason Medical Center, Series C, Radian Insured, 5.50%, 8/15/36	16,000,000	16,030,880
Washington State Higher Education Facilities Authority Revenue, Whitworth University Project, Refunding, 5.375%, 10/01/29	3,000,000	3,042,990
5.875%, 10/01/34	6,000,000	6,209,520

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
Washington (continued)		
Washington State Public Power Supply System Revenue, Nuclear Project No. 3, Capital Appreciation,		
Refunding, Series B, zero cpn., 7/01/14	\$ 12,450,000	\$ 12,409,289
Series B, ETM, zero cpn., 7/01/14	2,550,000	<u>2,544,824</u>
		<u>350,684,465</u>
West Virginia 0.6%		
County Commission of Harrison County Solid Waste Disposal Revenue, Allegheny Energy Supply Co. LLC Harrison Station Project, Refunding, Series D, 5.50%, 10/15/37	9,000,000	8,596,530
Pleasants County PCR, County Commission, Series F, 5.25%, 10/15/37	14,000,000	13,554,800
West Virginia EDA Lottery Revenue, Series A, 5.00%, 6/15/35	9,415,000	9,735,581
West Virginia State GO, Series A, NATL RE, FGIC Insured, 5.20%, 11/01/26	10,000,000	11,630,800
West Virginia State Water Development Water Revenue, Loan Program 2, Refunding, Series B, AMBAC Insured, 5.00%, 11/01/29	7,500,000	7,588,050
West Virginia University Revenue, Improvement, West Virginia University Projects, Series C, NATL RE, FGIC Insured, Pre-Refunded, 5.00%, 10/01/34	10,000,000	<u>10,433,100</u>
		<u>61,538,861</u>
Wisconsin 0.8%		
Monroe RDAR, 6.00%, 2/15/39	11,790,000	12,380,089
Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/33	25,290,000	28,062,543
Wisconsin State Health and Educational Facilities Authority Revenue,		
Marquette University, Refunding, Series B-1, 5.00%, 10/01/30	6,865,000	7,234,818
Marquette University, Refunding, Series B-1, 5.00%, 10/01/33	1,500,000	1,561,755
Marquette University, Refunding, Series B-2, 5.00%, 10/01/30	3,470,000	3,656,929
Marquette University, Series B-3, 5.00%, 10/01/30	2,150,000	2,265,820
Marquette University, Series B-3, 5.00%, 10/01/33	1,750,000	1,822,048
Ministry Health Care Inc., AGMC Insured, 5.00%, 8/01/31	1,500,000	1,560,195
Ministry Health Care Inc., AGMC Insured, 5.00%, 8/01/34	8,000,000	8,028,480
Thedacare Inc., AMBAC Insured, 5.00%, 12/15/30	10,000,000	10,169,700
Thedacare Inc., Series A, 5.50%, 12/15/38	5,000,000	<u>5,226,250</u>
		<u>81,968,627</u>
Wyoming 0.1%		
Campbell County Solid Waste Facilities Revenue, Basin Electric Power Cooperative, Dry Fork Station Facilities, Series A, 5.75%, 7/15/39	5,500,000	<u>5,947,645</u>
U.S. Territories 2.9%		
Puerto Rico 2.8%		
Children's Trust Fund Tobacco Settlement Revenue, Asset-Backed Bonds, Refunding, 5.375%, 5/15/33	15,885,000	14,942,861
Puerto Rico Commonwealth Highways and Transportation Authority Highway Revenue,		
Series Y, Pre-Refunded,		
5.00%, 7/01/36	62,000,000	69,490,840
5.50%, 7/01/36	7,000,000	7,938,070
Puerto Rico Commonwealth Highways and Transportation Authority Transportation Revenue, Refunding, Series K, 5.00%, 7/01/30	19,190,000	14,254,332
Puerto Rico Electric Power Authority Power Revenue,		
Refunding, Series A, 5.00%, 7/01/42	18,925,000	13,447,537
Series XX, 5.25%, 7/01/40	15,000,000	10,995,300

Franklin Federal Tax-Free Income Fund

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

	Principal Amount	Value
Municipal Bonds (continued)		
U.S. Territories (continued)		
Puerto Rico (continued)		
Puerto Rico Industrial Tourist Educational Medical and Environmental Control Facilities Financing Authority Industrial Revenue, Guaynabo Warehouse for Emergencies Project, Series A, 5.15%, 7/01/19	\$ 595,000	\$ 524,427
Puerto Rico PBA Guaranteed Revenue, Government Facilities, Refunding, Series D, 5.25%, 7/01/27	3,265,000	2,433,960
Series N, 5.00%, 7/01/37	20,000,000	14,464,800
Puerto Rico Public Finance Corp. Revenue, Commonwealth Appropriation, Refunding, Series B, 5.50%, 8/01/31	21,000,000	15,354,570
Puerto Rico Sales Tax FICO Sales Tax Revenue, Capital Appreciation, first subordinate, Series A, zero cpn. to 8/01/16, 6.75% thereafter, 8/01/32	25,000,000	18,237,000
Capital Appreciation, first subordinate, Series A, zero cpn. to 8/01/19, 6.25% thereafter, 8/01/33	36,500,000	20,899,900
first subordinate, Series A, 5.50%, 8/01/42	40,000,000	32,318,800
first subordinate, Series C, 5.50%, 8/01/40	50,000,000	40,571,000
Refunding, Senior Series C, 5.00%, 8/01/40	27,825,000	24,007,410
Senior Series C, 5.25%, 8/01/40	7,150,000	6,387,166
		<u>306,267,973</u>
U.S. Virgin Islands 0.1%		
Virgin Islands PFAR, Virgin Islands Matching Fund Loan Note, sub. lien, Working Capital, Refunding, Series B, 5.25%, 10/01/29	5,750,000	5,856,317
Total U.S. Territories		<u>312,124,290</u>
Total Municipal Bonds before Short Term Investments (Cost \$10,258,572,306)		<u>10,623,994,113</u>
Short Term Investments 0.1%		
Municipal Bonds 0.1%		
California 0.0%[†]		
^b Los Angeles Department of Water and Power Revenue, Power System, Refunding, Series B, Sub Series B-6, Daily VRDN and Put, 0.05%, 7/01/34	1,900,000	<u>1,900,000</u>
Connecticut 0.0%[†]		
^b Connecticut State HFA Housing Mortgage Finance Program Revenue, Refunding, Series C, Sub Series C-2, Daily VRDN and Put, 0.09%, 11/15/36	2,300,000	<u>2,300,000</u>
Minnesota 0.1%		
^b Minneapolis and St. Paul Housing and RDA Health Care System Revenue, Health Care Facilities, Children's Hospitals and Clinics, Series B, AGMC Insured, Daily VRDN and Put, 0.07%, 8/15/25	5,020,000	<u>5,020,000</u>
Total Short Term Investments (Cost \$9,220,000)		<u>9,220,000</u>
Total Investments (Cost \$10,267,792,306) 97.8%		<u>10,633,214,113</u>
Other Assets, less Liabilities 2.2%		<u>237,169,620</u>
Net Assets 100.0%		<u>\$10,870,383,733</u>

See Abbreviations on page 57.

[†]Rounds to less than 0.1% of net assets.

^aSecurity purchased on a when-issued or delayed delivery basis. See Note 1(b).

^bVariable rate demand notes (VRDNs) are tax-exempt obligations which contain a floating or variable interest rate adjustment formula and an unconditional right of demand to receive payment of the principal balance plus accrued interest at specified dates. The coupon rate shown represents the rate at period end.

Franklin Federal Tax-Free Income Fund

Financial Statements

Statement of Assets and Liabilities

October 31, 2013 (unaudited)

Assets:

Investments in securities:	
Cost	\$10,267,792,306
Value	\$10,633,214,113
Cash	115,912,022
Receivables:	
Investment securities sold	2,486,528
Capital shares sold	22,816,313
Interest	155,172,425
Other assets	1,347
Total assets	<u>10,929,602,748</u>

Liabilities:

Payables:	
Investment securities purchased	25,938,700
Capital shares redeemed	26,470,931
Management fees	4,063,424
Distribution fees	1,328,467
Transfer agent fees	1,210,014
Accrued expenses and other liabilities	207,479
Total liabilities	<u>59,219,015</u>
Net assets, at value	<u>\$10,870,383,733</u>

Net assets consist of:

Paid-in capital	\$10,650,625,215
Undistributed net investment income	8,245,563
Net unrealized appreciation (depreciation)	365,421,807
Accumulated net realized gain (loss)	(153,908,852)
Net assets, at value	<u>\$10,870,383,733</u>

Class A:

Net assets, at value	\$ 8,139,983,350
Shares outstanding	<u>685,192,948</u>
Net asset value per share ^a	<u>\$11.88</u>
Maximum offering price per share (net asset value per share ÷ 95.75%)	<u>\$12.41</u>

Class C:

Net assets, at value	\$ 1,167,830,583
Shares outstanding	<u>98,378,238</u>
Net asset value and maximum offering price per share ^a	<u>\$11.87</u>

Advisor Class:

Net assets, at value	\$ 1,562,569,800
Shares outstanding	<u>131,429,731</u>
Net asset value and maximum offering price per share	<u>\$11.89</u>

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Franklin Federal Tax-Free Income Fund

Financial Statements *(continued)*

Statement of Operations

for the six months ended October 31, 2013 (unaudited)

Investment income:	
Interest	\$ 268,718,471
Expenses:	
Management fees (Note 3a)	25,467,237
Distribution fees: (Note 3c)	
Class A	4,267,240
Class C	4,309,867
Transfer agent fees: (Note 3e)	
Class A	2,417,083
Class C	371,615
Advisor Class	464,992
Custodian fees	59,444
Reports to shareholders	258,008
Registration and filing fees	186,623
Professional fees	67,300
Trustees' fees and expenses	68,451
Other	190,329
Total expenses	38,128,189
Net investment income	<u>230,590,282</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from investments	(106,020,161)
Net change in unrealized appreciation (depreciation) on investments	(799,638,698)
Net realized and unrealized gain (loss)	<u>(905,658,859)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (675,068,577)</u>

Franklin Federal Tax-Free Income Fund

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 230,590,282	\$ 453,034,131
Net realized gain (loss) from investments	(106,020,161)	(4,415,893)
Net change in unrealized appreciation (depreciation) on investments	(799,638,698)	291,551,990
Net increase (decrease) in net assets resulting from operations	<u>(675,068,577)</u>	<u>740,170,228</u>
Distributions to shareholders from:		
Net investment income:		
Class A	(170,709,275)	(346,901,032)
Class B	—	(159,375)
Class C	(22,715,920)	(46,966,222)
Advisor Class	(33,667,147)	(60,078,936)
Total distributions to shareholders	<u>(227,092,342)</u>	<u>(454,105,565)</u>
Capital share transactions: (Note 2)		
Class A	(607,633,863)	439,110,665
Class B	—	(10,120,888)
Class C	(248,708,577)	172,320,075
Advisor Class	(66,822,180)	330,523,371
Total capital share transactions	<u>(923,164,620)</u>	<u>931,833,223</u>
Net increase (decrease) in net assets	<u>(1,825,325,539)</u>	<u>1,217,897,886</u>
Net assets:		
Beginning of period	12,695,709,272	11,477,811,386
End of period	<u>\$10,870,383,733</u>	<u>\$12,695,709,272</u>
Undistributed net investment income included in net assets:		
End of period	<u>\$ 8,245,563</u>	<u>\$ 4,747,623</u>

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNT POLICIES

Franklin Federal Tax-Free Income Fund (Fund) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company. The Fund offers three classes of shares: Class A, Class C, and Advisor Class. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Fund's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

1. ORGANIZATION AND SIGNIFICANT ACCOUNT POLICIES *(continued)*

a. Financial Instrument Valuation *(continued)*

an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

b. Securities Purchased on a When-Issued and Delayed Delivery Basis

The Fund purchases securities on a when-issued and delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

c. Income Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of October 31, 2013, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

d. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character.

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

1. ORGANIZATION AND SIGNIFICANT ACCOUNT POLICIES *(continued)*

d. Security Transactions, Investment Income, Expenses and Distributions *(continued)*

These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

e. Insurance

The scheduled payments of interest and principal for each insured municipal security in the Fund are insured by either a new issue insurance policy or a secondary insurance policy. Some municipal securities in the Fund are secured by collateral guaranteed by an agency of the U.S. government. Depending on the type of coverage, premiums for insurance are either added to the cost basis of the security or paid by a third party.

Insurance companies typically insure municipal bonds that tend to be of very high quality, with the majority of underlying municipal bonds rated A or better. However, an event involving an insurer could have an adverse effect on the value of the securities insured by that insurance company. There is no guarantee the insurer will be able to fulfill its obligations under the terms of the policy.

f. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

g. Guarantees and Indemnifications

Under the Fund's organizational documents, its officers and trustees are indemnified by the Fund against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund expects the risk of loss to be remote.

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

2. SHARES OF BENEFICIAL INTEREST

At October 31, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended October 31, 2013		Year Ended April 30, 2013 ^a	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold	76,240,674	\$ 908,253,548	108,067,502	\$ 1,374,998,094
Shares issued in reinvestment of distributions	11,969,551	144,343,375	22,378,223	283,844,703
Shares redeemed	(139,275,136)	(1,660,230,786)	(95,883,553)	(1,219,732,132)
Net increase (decrease)	<u>(51,064,911)</u>	<u>\$ (607,633,863)</u>	<u>34,562,172</u>	<u>\$ 439,110,665</u>
Class B Shares:				
Shares sold	—	\$ —	18,109	\$ 229,907
Shares issued in reinvestment of distributions	—	—	11,184	141,422
Shares redeemed	—	—	(823,586)	(10,492,217)
Net increase (decrease)	<u>—</u>	<u>\$ —</u>	<u>(794,293)</u>	<u>\$ (10,120,888)</u>
Class C Shares:				
Shares sold	5,810,643	\$ 70,497,852	27,019,793	\$ 343,371,936
Shares issued in reinvestment of distributions	1,599,724	19,302,279	3,053,658	38,720,936
Shares redeemed	(28,387,973)	(338,508,708)	(16,506,185)	(209,772,797)
Net increase (decrease)	<u>(20,977,606)</u>	<u>\$ (248,708,577)</u>	<u>13,567,266</u>	<u>\$ 172,320,075</u>
Advisor Class Shares:				
Shares sold	25,089,952	\$ 301,631,081	52,529,184	\$ 669,189,921
Shares issued in reinvestment of distributions	2,513,364	30,302,554	4,196,412	53,270,859
Shares redeemed	(33,383,058)	(398,755,815)	(30,788,474)	(391,937,409)
Net increase (decrease)	<u>(5,779,742)</u>	<u>\$ (66,822,180)</u>	<u>25,937,122</u>	<u>\$ 330,523,371</u>

^aEffective March 21, 2013, all Class B shares were converted to Class A.

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

3. TRANSACTIONS WITH AFFILIATES *(continued)*

a. Management Fees

The Fund pays an investment management fee to Advisers based on the month-end net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	Over \$15 billion, up to and including \$17.5 billion
0.380%	Over \$17.5 billion, up to and including \$20 billion
0.360%	In excess of \$20 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.10%
Class C	0.65%

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

3. TRANSACTIONS WITH AFFILIATES *(continued)*

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the period:

Sales charges retained net of commissions paid to unaffiliated broker/dealers	\$618,208
CDSC retained	\$324,498

e. Transfer Agent Fees

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets.

For the period ended October 31, 2013, the Fund paid transfer agent fees of \$3,253,690, of which \$1,150,859 was retained by Investor Services.

4. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At April 30, 2013, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2017	\$15,858,622
2018	3,803,336
2019	<u>17,435,155</u>
Total capital loss carryforwards	<u>\$37,097,113</u>

For tax purposes, the Fund may elect to defer any portion of a post-October capital loss to the first day of the following fiscal year. At April 30, 2013, the Fund deferred post-October capital losses of \$9,330,523.

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

4. INCOME TAXES *(continued)*

At October 31, 2013, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	<u>\$10,267,677,462</u>
Unrealized appreciation	\$ 539,992,484
Unrealized depreciation	<u>(174,455,833)</u>
Net unrealized appreciation (depreciation)	<u>\$ 365,536,651</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of bond discounts and wash sales.

5. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended October 31, 2013, aggregated \$740,806,741 and \$1,605,270,221, respectively.

6. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$1.5 billion (Global Credit Facility) which matures on January 17, 2014. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the period ended October 31, 2013, the Fund did not use the Global Credit Facility.

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

7. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

At October 31, 2013, all of the Fund's investments in financial instruments carried at fair value were valued using Level 2 inputs.

8. NEW ACCOUNTING PRONOUNCEMENTS

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. The Fund is currently reviewing the requirements and believes the adoption of this ASU will not have a material impact on its financial statements.

9. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Franklin Federal Tax-Free Income Fund

Notes to Financial Statements (unaudited) *(continued)*

ABBREVIATIONS

Selected Portfolio

ACA	- American Capital Access Holdings Inc.	IDB	- Industrial Development Bond/Board
AGMC	- Assured Guaranty Municipal Corp.	IDC	- Industrial Development Corp.
AMBAC	- American Municipal Bond Assurance Corp.	ISD	- Independent School District
BHAC	- Berkshire Hathaway Assurance Corp.	MFHR	- Multi-Family Housing Revenue
CDA	- Community Development Authority/Agency	MFR	- Multi-Family Revenue
CIFG	- CDC IXIS Financial Guaranty	MTA	- Metropolitan Transit Authority
COP	- Certificate of Participation	NATL	- National Public Financial Guarantee Corp.
EDA	- Economic Development Authority	NATL RE	- National Public Financial Guarantee Corp. Reinsured
EDC	- Economic Development Corp.	PBA	- Public Building Authority
ETM	- Escrow to Maturity	PCC	- Pollution Control Corp.
FGIC	- Financial Guaranty Insurance Co.	PCR	- Pollution Control Revenue
FHA	- Federal Housing Authority/Agency	PFAR	- Public Financing Authority Revenue
FICO	- Financing Corp.	PSF	- Permanent School Fund
GNMA	- Government National Mortgage Association	RDA	- Redevelopment Agency/Authority
GO	- General Obligation	RDAR	- Redevelopment Agency Revenue
HDA	- Housing Development Authority/Agency	SFMR	- Single Family Mortgage Revenue
HFA	- Housing Finance Authority/Agency	UHSD	- Unified/Union High School District
HFAR	- Housing Finance Authority Revenue	USD	- Unified/Union School District
HFC	- Housing Finance Corp.	XLCA	- XL Capital Assurance
IDA	- Industrial Development Authority/Agency		

Franklin Federal Tax-Free Income Fund

Shareholder Information

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Franklin Templeton Funds

Literature Request. To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com or etf.franklintempleton.com for Franklin Short Duration U.S. Government ETF. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information. Please carefully read a prospectus before investing.

VALUE

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund¹
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund²
Mutual Shares Fund

BLEND

Franklin Focused Core Equity Fund
Franklin Large Cap Equity Fund
Franklin Rising Dividends Fund

GROWTH

Franklin DynaTech Fund
Franklin Flex Cap Growth Fund
Franklin Growth Fund
Franklin Growth Opportunities Fund
Franklin Small Cap Growth Fund
Franklin Small-Mid Cap Growth Fund

SECTOR

Franklin Biotechnology Discovery Fund
Franklin Global Listed Infrastructure Fund
Franklin Global Real Estate Fund
Franklin Gold & Precious Metals Fund
Franklin Natural Resources Fund
Franklin Real Estate Securities Fund
Franklin Utilities Fund
Mutual Financial Services Fund

GLOBAL

Franklin World Perspectives Fund
Mutual Global Discovery Fund
Templeton Global Opportunities Trust
Templeton Global Smaller Companies Fund
Templeton Growth Fund
Templeton World Fund

INTERNATIONAL

Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund³
Mutual European Fund
Mutual International Fund
Templeton Asian Growth Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund⁴
Templeton Frontier Markets Fund⁵

HYBRID

Franklin Balanced Fund
Franklin Convertible Securities Fund
Franklin Equity Income Fund
Franklin Income Fund
Templeton Emerging Markets Balanced Fund
Templeton Global Balanced Fund

ALTERNATIVE

Franklin K2 Alternative Strategies Fund

ASSET ALLOCATION

Franklin LifeSmart™ Retirement Target Funds (2015-2050)⁶
Franklin Templeton Corefolio® Allocation Fund
Franklin Templeton Founding Funds Allocation Fund
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund⁷
Franklin Floating Rate Daily Access Fund
Franklin Global Government Bond Fund
Franklin High Income Fund

Franklin Limited Maturity U.S. Government Securities Fund⁷

Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Short Duration U.S. Government ETF
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Templeton Hard Currency Fund
Franklin Total Return Fund
Franklin U.S. Government Securities Fund⁷
Templeton Constrained Bond Fund
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund
Templeton International Bond Fund

TAX-FREE INCOME⁸

National

Double Tax-Free Income Fund⁹
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund^{10,11}

Limited-/Intermediate-Term

California Intermediate-Term Tax-Free Income Fund
Federal Intermediate-Term Tax-Free Income Fund
Federal Limited-Term Tax-Free Income Fund
New York Intermediate-Term Tax-Free Income Fund

State-Specific

Alabama	Kentucky	New York
Arizona	Louisiana	(2 funds)
California	Maryland	North Carolina
	(4 funds) ¹¹	Ohio
Colorado	Michigan	Oregon
Connecticut	Minnesota	Pennsylvania
Florida	Missouri	Tennessee
Georgia	New Jersey	Virginia

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹²

1. The fund is closed to new investors. Existing shareholders and select retirement plans may add to their accounts.

2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.

3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.

4. Effective 12/10/13, the fund closed to new investors, with limited exceptions.

5. Effective 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.

6. Effective 5/1/13, the Franklin Templeton Retirement Target Funds changed their names to Franklin LifeSmart Retirement Target Funds. The funds' investment goals and principal investment strategies remained unchanged. These funds' target dates are in five-year increments.

7. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.

8. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

9. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).

10. The fund invests primarily in insured municipal securities.

11. Effective at the close of market on 3/1/13, Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).

12. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

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Semiannual Report and Shareholder Letter
**FRANKLIN FEDERAL TAX-FREE
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Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.