**DECEMBER 31, 2013** 

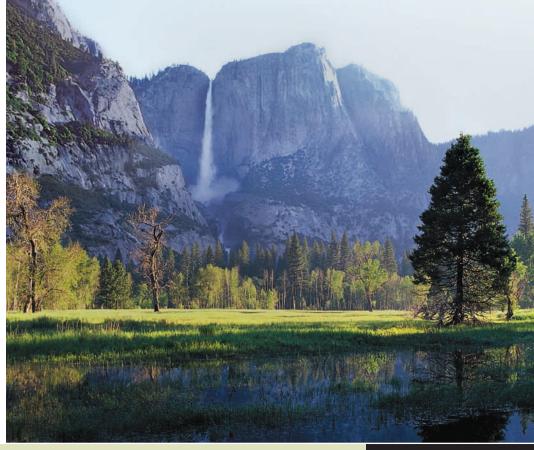
#### SEMIANNUAL REPORT AND SHAREHOLDER LETTER

Franklin California Insured Tax-Free Income Fund

Franklin California Intermediate-Term Tax-Free Income Fund

Franklin California Tax-Exempt Money Fund

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TAX-FREE INCOME

### Franklin California Tax-Free Trust



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### Shareholder Letter

#### Dear Shareholder:

The six-month period ended December 31, 2013, was challenging for fixed income markets. The municipal bond market went through a correction, fueled mainly by a sell-off that began in mid-June. Fixed income markets began their correction 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 reduced their holdings in fixed income instruments.

The economy posted positive, moderate growth. However, 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. Although the Fed did not decide to begin reducing bond purchases during its September meeting, at its November meeting, it chose to begin tapering those purchases by \$10 billion a month in January. With that certainty, the markets generally reacted positively to the news.

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. In December, both houses of Congress passed, and the President signed, a two-year bipartisan budget deal that prevented another federal government shutdown in January.

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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. As a result, municipal bonds experienced some months of declining values. 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.

By year-end, the municipal bond fund industry had posted weekly net redemptions for more than 32 straight weeks. The outflows were a result of a combination of negative headlines, negative performance for the asset class, strong equity market performance and perhaps some year-end taxrelated selling to capture capital losses to offset capital gains from other investments. Overall, the Barclays Municipal Bond Index, which tracks investment-grade municipal securities, posted a +0.14% total return for the six-month period.1

Franklin California Tax-Free Trust'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 Funds, 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 California Tax-Free Trust

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 December 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

# State Update and Municipal Bond Market Overview

California's economic recovery continued during the six-month period ended December 31, 2013, supported by increases in wages, building permits and construction activity. Two key barometers of the state's recovery, its housing sales and unemployment rate levels, however, faced temporary difficulties during the summer months. California's housing market experienced strong growth during the first half of 2013 that buoyed the economy. Home sales began to decline in July, however, after rising prices and interest rates prompted some potential buyers to wait for prices to stabilize and more inventory to become available. The state's unemployment rate initially rose to 8.9% in August after a large number of job seekers reentered the labor force, but gradually fell to 8.3% at period-end based on positive economic reports, strong consumer spending levels and a surge in retail hiring for the holiday shopping season.¹ Although California's unemployment rate has generally declined since early 2012 amid solid job growth in December, it remained higher than the 6.7% national average.¹

California's improved economic standing was accompanied by higher tax revenues driven by a rise in personal income taxes. The state ended fiscal year 2013 on June 30 with a lower-than-projected general fund cash deficit, which helped the state strengthen its liquidity and reduce borrowing needs for fiscal year 2014. With estimated recurring revenues sufficient to fund California's constitutional and statutory funding obligations, the enacted fiscal year 2014 budget was structurally balanced. According to independent credit rating agency Standard & Poor's, the budget was relatively cautious by projecting a slight decline in general fund revenue compared to fiscal year 2013. The governor and legislature's agreement on a general fund spending level that was among the past 30 years' lowest, as a percentage of state personal income, resulted in a projected operating surplus for fiscal year 2014. In response, advocates representing schools, hospitals and other social services that experienced spending cuts in recent years called for budget revisions that would restore or expand their programs. The governor's administration sought to temper spending expectations by citing the tax cuts and spending commitments based on one-time spikes in capital gains that hurt the state's finances in the past. Instead, the governor would rather use the surplus to pay down California's debt and maintain a reserve fund.

1. Source: Bureau of Labor Statistics.

The state's net tax-supported debt was \$2,565 per capita and 5.8% of personal income, compared with the \$1,074 and 2.8% national medians.<sup>2</sup> Although California's debt levels ranked among the nation's highest, independent credit rating agency Moody's Investors Service assigned California's general obligation bonds an A1 rating with a stable outlook.3 Moody's rating reflected the state's volatile tax structure and governance issues that have made it difficult to address economic and revenue downturns, a recent surge in revenue and signs of economic recovery that have strengthened California's financial position, and modest governance changes that led to several on-time budget passages. Moody's attributed the stable outlook to the state's stabilized economy and finances.

During the six-month period ended December 31, 2013, the municipal bond market suffered a sell-off, leading municipal bonds to be among the worst fixed income performers. The Barclays Municipal Bond Index, which tracks investment-grade municipal securities, posted a +0.14% total return for the six-month period including a 2.29% drop from July through August.<sup>4</sup> In comparison, the Barclays U.S. Treasury Index had a -0.65% six-month return.4

A dramatic market drop began in June largely as a result of Federal Reserve Board (Fed) Chairman Ben Bernanke's comments in May that the Fed could begin tapering its bond buying in the coming months. Because of investors' negative reactions, 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, 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 July through August selloff — municipal bonds underperformed Treasury bonds and longer term municipal bonds fared worse than shorter term municipal bonds.

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 a positive return for the second half of the reporting period. In December, the Fed

<sup>2.</sup> Source: Moody's Investors Service, "2013 State Debt Medians Report," 5/29/13.

<sup>3.</sup> This does not indicate Moody's rating of the Fund.

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announced it would modestly reduce the pace of its bond buying program beginning in January while maintaining historically low interest rates. The bond market showed little reaction to the news.

The changes in municipal bond yields for the reporting period were noteworthy when weighed against the volume of newly issued municipal bonds. Despite a 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. With Puerto Rico general obligation (GO) debt one step above noninvestment grade (junk status), in mid-November, independent credit rating agency Fitch Ratings put Puerto Rico GO debt on rating watch for a junk status downgrade. Furthermore, in December, Moody's placed Puerto Rico debt on negative watch. The City of Chicago suffered a three-notch downgrade by Moody's and Fitch. 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 Franklin California Intermediate-Term Tax-Free Income Fund, exposure to Puerto Rico debt was a source of drag on performance during the reporting period.

As of December 31, 2013, municipal bond yields exceeded those of comparable maturity Treasury bonds and many other high-quality bonds. Their tax-exempt nature 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.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 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, state, industry, security or 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.

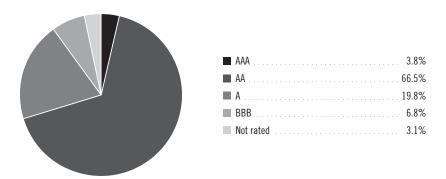
# Franklin California Insured Tax-Free Income Fund

#### Your Fund's Goal and Main Investments: Franklin California Insured Tax-Free Income

Fund seeks to provide as high a level of income exempt from federal and California personal income taxes as is consistent with prudent investment management and preservation of capital by investing at least 80% of its net assets in insured municipal securities that pay interest free from such taxes.<sup>1, 2</sup>

#### Credit Quality Breakdown\*

Franklin California Insured Tax-Free Income Fund Based on Total Long-Term Investments as of 12/31/13\*\*



\*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 creditworthiness, 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.

This semiannual report for Franklin California Insured Tax-Free Income Fund covers the period ended December 31, 2013. The Fund closed to all new investments (other than reinvestment of dividends or capital gain distributions) at the close of market on March 1, 2013.

1. 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. Fund shares are not insured by any U.S. or other government agency. They are subject to market risks and will

fluctuate in value.

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 30.

<sup>\*\*</sup>Does not include short-term investments and other net assets.

#### **Dividend Distributions\***

Franklin California Insured Tax-Free Income Fund 7/1/13-12/31/13

	Div	Dividend per Share (cents)			
Month	Class A	Class C	Advisor Class		
July	4.06	3.48	4.17		
August	4.06	3.48	4.17		
September	4.21	3.65	4.29		
October	4.31	3.75	4.39		
November	4.41	3.85	4.49		
December	4.41	3.82	4.46		
Total	25.46	22.03	25.97		

<sup>\*</sup>Assumes shares were purchased and held for the entire accrual period. Since dividends accrue daily, your actual distributions will vary depending on the date you purchased your shares and any account activity. All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

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.

#### **Performance Overview**

The Fund's Class A share price, as measured by net asset value, decreased from \$12.33 on June 30, 2013, to \$12.09 on December 31, 2013. The Fund's Class A shares paid dividends totaling 25.46 cents per share for the same period.<sup>3</sup> The Performance Summary beginning on page 10 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 4.19%, based on an annualization of December's 4.41 cent per share dividend and the maximum offering price of \$12.63 on December 31, 2013. An investor in the 2014 maximum combined effective federal and California personal income tax bracket of 50.83% (including 3.8% Medicare tax) would need to earn a distribution rate of 8.52% 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.

<sup>3.</sup> All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

#### **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 stay fully invested to help maximize income distribution.

#### Manager's Discussion

Consistent with our strategy, we sought to remain fully invested in bonds that maintain an average weighted maturity of 15 to 30 years with good call features. Based on the combination of our value-oriented philosophy of investing primarily for income and a positively sloping municipal yield curve in which interest rates for longer term bonds are higher than those for shorter term bonds, we favored the use of longer term bonds. We believe our conservative, buy-and-hold investment strategy can help us achieve relatively high, current, tax-free income for shareholders.

Thank you for your continued participation in Franklin California Insured 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 December 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, state, 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

Franklin California Insured Tax-Free Income Fund 12/31/13

Long-Term Inve	
General Obligation	30.0%
Transportation	17.8%
Hospital & Health Care	13.0%
Subject to Government Appropriations	12.1%
Tax-Supported	8.7%
Utilities	6.6%
Refunded	5.1%
Higher Education	4.3%
Housing	1.6%
Other Revenue	0.8%

<sup>\*</sup>Does not include short-term investments and other net assets.

# Performance Summary as of 12/31/13

#### Franklin California Insured Tax-Free Income Fund

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: FRCIX)		Change	12/31/13	6/30/13
Net Asset Value (NAV)		-\$0.24	\$12.09	\$12.33
Distributions (7/1/13-12/31/13)				
Dividend Income	\$0.2546			
Class C (Symbol: FRCAX)		Change	12/31/13	6/30/13
Net Asset Value (NAV)		-\$0.25	\$12.25	\$12.50
Distributions (7/1/13-12/31/13)				
Dividend Income	\$0.2203			
Advisor Class (Symbol: FZCAX)		Change	12/31/13	6/30/13
Net Asset Value (NAV)		-\$0.24	\$12.11	\$12.35
Distributions (7/1/13-12/31/13)				
Dividend Income	\$0.2597			

# Performance Summary (continued)

#### **Performance**

Cumulative total return excludes sales charges. Average annual total return includes 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 <sup>1</sup>	+0.14%	-3.35%	+34.86%	+47.90%
Average Annual Total Return <sup>2</sup>	-4.14%	-7.47%	+5.26%	+3.54%
Distribution Rate <sup>3</sup>	4.19	9%		
Taxable Equivalent Distribution Rate <sup>4</sup>	8.52	2%		
30-Day Standardized Yield <sup>5</sup>	3.77	7%		
Taxable Equivalent Yield <sup>4</sup>	7.67	7%		
Total Annual Operating Expenses <sup>6</sup>	0.60	0%		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return <sup>1</sup>	-0.23%	-3.92%	+31.19%	+39.96%
Average Annual Total Return <sup>2</sup>	-1.21%	-4.85%	+5.58%	+3.42%
Distribution Rate <sup>3</sup>	3.74	4%		
Taxable Equivalent Distribution Rate <sup>4</sup>	7.63	1%		
30-Day Standardized Yield <sup>5</sup>	3.38	8%		
Taxable Equivalent Yield <sup>4</sup>	6.87	7%		
Total Annual Operating Expenses <sup>6</sup>	1.15	5%		
Advisor Class <sup>7</sup>	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return <sup>1</sup>	+0.18%	-3.26%	+35.70%	+48.84%
Average Annual Total Return <sup>2</sup>	+0.18%	-3.26%	+6.30%	+4.06%
Distribution Rate <sup>3</sup>	4.42	2%		
Taxable Equivalent Distribution Rate <sup>4</sup>	8.99	9%		
30-Day Standardized Yield <sup>5</sup>	4.03	1%		
Taxable Equivalent Yield <sup>4</sup>	8.16	6%		

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 franklintempleton.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. Because the Fund invests principally in a single state, it is subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified Fund. To the extent the Fund has investments in other states or U.S. territories, such as Puerto Rico, adverse economic and regulatory changes in such states or territories may cause the Fund's share price to decline. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. 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: 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
- 3. Distribution rate is based on an annualization of the respective class's December dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 12/31/13.
- 4. Taxable equivalent distribution rate and yield assume the published rates as of 12/18/13 for the maximum combined effective federal and California personal income tax rate of 50.83%, based on the federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 5. The 30-day standardized yield for the 30 days ended 12/31/13 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.
- 6. 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.
- 7. Effective 10/31/08, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 10/31/08, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 10/31/08, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 10/31/08 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +34.66% and +5.93%.

### Your Fund's Expenses

#### Franklin California Insured Tax-Free Income Fund

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 7/1/13	Ending Account Value 12/31/13	Expenses Paid During Period* 7/1/13–12/31/13
Actual	\$1,000	\$1,001.40	\$2.93
Hypothetical (5% return before expenses)	\$1,000	\$1,022.28	\$2.96
Class C			
Actual	\$1,000	\$ 997.70	\$5.79
Hypothetical (5% return before expenses)	\$1,000	\$1,019.41	\$5.85
Advisor Class			
Actual	\$1,000	\$1,001.80	\$2.52
Hypothetical (5% return before expenses)	\$1,000	\$1,022.68	\$2.55

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.58%; C: 1.15%; and Advisor: 0.50%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

# Franklin California Intermediate-Term Tax-Free Income Fund

Your Fund's Goal and Main Investments: Franklin California Intermediate-Term Tax-Free Income Fund seeks to provide as high a level of income exempt from federal and California personal income taxes as is consistent with prudent investment management and preservation of capital by investing at least 80% of its total assets in securities that pay interest free from such taxes. The Fund maintains a dollar-weighted average portfolio maturity (the time at which the debt must be repaid) of 3 to 10 years.

#### Credit Quality Breakdown\*

Franklin California Intermediate-Term Tax-Free Income Fund 12/31/13

Ratings	% of Total Long-Term Investments**
AAA	4.3%
AA	47.7%
A	30.8%
BBB	12.7%
Below Investment Grade	0.3%
Not Rated	4.2%

<sup>\*</sup>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 creditworthiness, 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.

This semiannual report for Franklin California Intermediate-Term Tax-Free Income Fund covers the period ended December 31, 2013.

1. 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.

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 43.

<sup>\*\*</sup>Does not include short-term investments and other net assets.

#### **Dividend Distributions\***

Franklin California Intermediate-Term Tax-Free Income Fund 7/1/13-12/31/13

	Div	Dividend per Share (cents)			
Month	Class A	Class C	Advisor Class		
July	3.08	2.53	3.17		
August	3.08	2.53	3.17		
September	3.13	2.62	3.21		
October	3.23	2.72	3.31		
November	3.23	2.72	3.31		
December	3.23	2.70	3.32		
Total	18.98	15.82	19.49		

<sup>\*</sup>Assumes shares were purchased and held for the entire accrual period. Since dividends accrue daily, your actual distributions will vary depending on the date you purchased your shares and any account activity. All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

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.

#### **Performance Overview**

The Fund's Class A share price, as measured by net asset value, decreased from \$11.73 on June 30, 2013, to \$11.60 on December 31, 2013. The Fund's Class A shares paid dividends totaling 18.98 cents per share for the same period.<sup>2</sup> The Performance Summary beginning on page 18 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 3.27%, based on an annualization of December's 3.23 cent per share dividend and the maximum offering price of \$11.87 on December 31, 2013. An investor in the 2014 maximum combined effective federal and California personal income tax bracket of 50.83% (including 3.8% Medicare tax) would need to earn a distribution rate of 6.65% 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.

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

#### **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 stay fully invested to help maximize income distribution.

#### Manager's Discussion

Consistent with our strategy, we sought to remain fully invested in bonds that maintain an average weighted maturity of 3 to 10 years. We believe our conservative, buy-and-hold investment strategy can help us achieve relatively high, current, tax-free income for shareholders.

Thank you for your continued participation in Franklin California Intermediate-Term 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 December 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, state, 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

Franklin California Intermediate-Term Tax-Free Income Fund 12/31/13

% Long-Term Inve	6 of Total stments*
General Obligation	19.6%
Utilities	17.1%
Tax-Supported	16.7%
Subject to Government Appropriations	16.1%
Hospital & Health Care	10.8%
Transportation	8.0%
Higher Education	4.2%
Refunded	3.6%
Other Revenue	2.3%
Housing	1.6%

<sup>\*</sup>Does not include short-term investments and other net assets.

# Performance Summary as of 12/31/13

#### Franklin California Intermediate-Term Tax-Free Income Fund

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: FKCIX)		Change	12/31/13	6/30/13
Net Asset Value (NAV)		-\$0.13	\$11.60	\$11.73
Distributions (7/1/13-12/31/13)				
Dividend Income	\$0.1898			
Class C (Symbol: FCCIX)		Change	12/31/13	6/30/13
Net Asset Value (NAV)		-\$0.13	\$11.64	\$11.77
Distributions (7/1/13-12/31/13)				
Dividend Income	\$0.1582			
Advisor Class (Symbol: FRCZX)		Change	12/31/13	6/30/13
Net Asset Value (NAV)		-\$0.13	\$11.62	\$11.75
Distributions (7/1/13-12/31/13)				
Dividend Income	\$0.1949			

# Performance Summary (continued)

#### **Performance**

Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Class A: 2.25% 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 <sup>1</sup>	+0.52%	-1.69%	+33.84%	+44.78%
Average Annual Total Return <sup>2</sup>	-1.75%	-3.90%	+5.52%	+3.53%
Distribution Rate <sup>3</sup>	3.2	7%		
Taxable Equivalent Distribution Rate <sup>4</sup>	6.6	5%		
30-Day Standardized Yield <sup>5</sup>	2.5	4%		
Taxable Equivalent Yield <sup>4</sup>	5.1	7%		
Total Annual Operating Expenses <sup>6</sup>	0.6	3%		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return <sup>1</sup>	+0.24%	-2.22%	+30.33%	+37.16%
Average Annual Total Return <sup>2</sup>	-0.75%	-3.17%	+5.44%	+3.21%
Distribution Rate <sup>3</sup>	2.7	8%		
Taxable Equivalent Distribution Rate <sup>4</sup>	5.6	5%		
30-Day Standardized Yield <sup>5</sup>	2.0	6%		
Taxable Equivalent Yield <sup>4</sup>	4.1	9%		
Total Annual Operating Expenses <sup>6</sup>	1.13	8%		
Advisor Class <sup>7</sup>	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return <sup>1</sup>	+0.56%	-1.60%	+34.67%	+45.70%
Average Annual Total Return <sup>2</sup>	+0.56%	-1.60%	+6.13%	+3.84%
Distribution Rate <sup>3</sup>	3.4	3%		
Taxable Equivalent Distribution Rate <sup>4</sup>	6.9	8%		
30-Day Standardized Yield <sup>5</sup>	2.7	1%		
Taxable Equivalent Yield <sup>4</sup>	5.5	1%		
Total Annual Operating Expenses <sup>6</sup>	0.5	3%		

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 franklintempleton.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. Because the Fund invests principally in a single state, it is subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified Fund. To the extent the Fund has investments in other states or U.S. territories, such as Puerto Rico, adverse economic and regulatory changes in such states or territories may cause the Fund's share price to decline. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. 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: 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. Distribution rate is based on an annualization of the respective class's current monthly dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 12/31/13.
- 4. Taxable equivalent distribution rate and yield assume the rates published as of 12/18/13 for the maximum combined effective federal and California personal income tax rate of 50.83%, based on the federal income tax rate of 39.60% plus 3.8% to Medicare tax.
- 5. The 30-day standardized yield for the 30 days ended 12/31/13 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.
- 6. 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.
- 7. Effective 10/31/08, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 10/31/08, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 10/31/08, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 10/31/08 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +33.36% and +5.73%.

### Your Fund's Expenses

#### Franklin California Intermediate-Term Tax-Free Income Fund

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 7/1/13	Ending Account Value 12/31/13	Expenses Paid During Period* 7/1/13–12/31/13
Actual	\$1,000	\$1,005.20	\$3.18
Hypothetical (5% return before expenses)	\$1,000	\$1,022.03	\$3.21
Class C			
Actual	\$1,000	\$1,002.40	\$5.96
Hypothetical (5% return before expenses)	\$1,000	\$1,019.26	\$6.01
Advisor Class			
Actual	\$1,000	\$1,005.60	\$2.68
Hypothetical (5% return before expenses)	\$1,000	\$1,022.53	\$2.70

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.63%; C: 1.18%; and Advisor: 0.53%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

# Franklin California Tax-Exempt Money Fund

Your Fund's Goal and Main Investments: Franklin California Tax-Exempt Money Fund seeks to provide as high a level of income exempt from federal and California personal income taxes as is consistent with prudent investment management and preservation of capital and liquidity. The Fund's portfolio invests at least 80% of its total assets in securities that pay interest free from such taxes. The Fund tries to maintain a stable \$1.00 share price.

Performance data represent past performance, which does not guarantee future results. Investment return will fluctuate. 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 California Tax-Exempt Money Fund covers the period ended December 31, 2013.

#### **Performance Overview**

In an effort to promote continued economic recovery, the Federal Reserve Board (Fed) held short-term interest rates at a historically low level during the six-month period under review, which affected money market portfolio yields. As a result, Franklin California Tax-Exempt Money Fund's seven-day effective yield was unchanged at 0.00% from June 30, 2013, through December 31, 2013.

An investment in the Fund is not guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

#### **Investment Strategy**

Under normal market conditions, we invest at least 80% of the Fund's total assets in high-quality, short-term municipal securities whose interest is free from federal and California state personal income taxes. Although the Fund tries to invest all of its assets in tax-free securities, it is possible, although not anticipated, that up to 20% of its assets may be in securities that pay taxable interest, including interest that may be subject to federal alternative minimum tax. We maintain a dollar-weighted average portfolio maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

1. 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.

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 54.

#### Performance Summary<sup>1</sup>

Franklin California Tax-Exempt Money Fund Symbol: FCLXX 12/31/13

Seven-day effective yield <sup>2</sup>	0.00%
Seven-day annualized yield	0.00%
Taxable equivalent yield <sup>3</sup>	0.00%
Total annual operating expenses <sup>4</sup>	0.53%

- 1. The Fund has a voluntary fee waiver in efforts to prevent a negative yield. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower. There is no guarantee the Fund will be able to avoid a negative yield.
- 2. Seven-day effective yield assumes the compounding of daily dividends, if any.
- 3. Taxable equivalent yield assumes the published rates as of 12/18/13 for the maximum combined effective federal and California personal income tax rate of 50.83%, based on the federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 4. The figure is 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. Annualized and effective yields are for the seven-day period ended 12/31/13. The Fund's average weighted life and average weighted maturity were each 5 days. Yield reflects Fund expenses and fluctuations in interest rates on portfolio investments.

Performance data represent past performance, which does not guarantee future results. Investment return will fluctuate. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

#### Manager's Discussion

During the period under review, short-term municipal bond yields remained relatively low as the Federal Open Market Committee kept rates unchanged, maintaining the federal funds target rate in a range of 0% to 0.25% and the discount rate at 0.75%. In addition, the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, a weekly index of variable rate securities, which make up a large portion of Franklin California Tax-Exempt Money Fund, also stayed relatively low. The SIFMA rate ranged from a high during the reporting period of 0.10% on October 23, 2013, to a low of 0.05%, which occurred first on July 3, 2013, and recurred eight more times. SIFMA ended the period at 0.06%.<sup>2</sup>

During the period, variable rate demand note (VRDN) issuance was extremely low compared to recent years, and demand for well-structured VRDNs supported low rates. The Fund continued to be very selective in purchasing high-quality securities. In this environment, the Fund's yield remained at 0.00% for the period.

During the review period, the Fund participated in several issues including State of California Revenue Anticipation Notes, Los Angeles Department of Water and Power VRDN and Sacramento Municipal Utility District VRDN.

Thank you for your continued participation in Franklin California Tax-Exempt Money Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 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, state, 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.

2. Source: SIFMA.

### Your Fund's Expenses

#### Franklin California Tax-Exempt Money Fund

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) of 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) of 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 Fund's actual expense ratio 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 of the table 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.

	Beginning Account Value 7/1/13	Ending Account Value 12/31/13	Expenses Paid During Period* 7/1/13–12/31/13
Actual	\$1,000	\$1,000.00	\$0.25
Hypothetical (5% return before expenses)	\$1,000	\$1,024.95	\$0.26

<sup>\*</sup>Expenses are calculated using the most recent annualized six-month expense ratio, net of voluntary expense waivers, of 0.05%, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

#### **Financial Highlights**

#### Franklin California Insured Tax-Free Income Fund

	Six Months Ended December 31, 201			Year Ended Jur	1е 30,	
Class A	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.33	\$12.72	\$11.76	\$12.07	\$11.45	\$12.19
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.27	0.50	0.54	0.55	0.55	0.55
Net realized and unrealized gains (losses)	(0.26)	(0.39)	0.96	(0.31)	0.62	(0.75)
Total from investment operations	0.01	0.11	1.50	0.24	1.17	(0.20)
Less distributions from net investment income	(0.25)	(0.50)	(0.54)	(0.55)	(0.55)	(0.54)
Redemption fees <sup>c</sup>		_	_	_	_	d
Net asset value, end of period	\$12.09	\$12.33	\$12.72	\$11.76	\$12.07	\$11.45
Total returne	0.14%	0.71%	12.96%	2.08%	10.33%	(1.54)%
Ratios to average net assets <sup>f</sup>						
Expenses	0.58%	0.60%	0.60%	0.61%	0.61%	0.61%
Net investment income	4.41%	3.88%	4.34%	4.63%	4.60%	4.74%
Supplemental data						
Net assets, end of period (000's)	\$1,545,388	\$1,777,179	\$1,884,339	\$1,715,495	\$1,899,692	\$1,780,448
Portfolio turnover rate	11.12%	15.99%	11.93%	12.49%	14.19%	13.04%

<sup>&</sup>lt;sup>a</sup>The 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.

#### Financial Highlights (continued)

#### Franklin California Insured Tax-Free Income Fund

	Six Months Ended December 31, 2013 Year Ended June 30,			ne 30,		
Class C	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.50	\$12.88	\$11.90	\$12.21	\$11.57	\$12.32
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.24	0.44	0.47	0.49	0.49	0.49
Net realized and unrealized gains (losses)	(0.27)	(0.40)	0.98	(0.32)	0.63	(0.76)
Total from investment operations	(0.03)	0.04	1.45	0.17	1.12	(0.27)
Less distributions from net investment income	(0.22)	(0.42)	(0.47)	(0.48)	(0.48)	(0.48)
Redemption feesc		_	_	_	_	d
Net asset value, end of period	\$12.25	\$12.50	\$12.88	\$11.90	\$12.21	\$11.57
Total returne	(0.23)%	0.22%	12.35%	1.49%	9.79%	(2.15)%
Ratios to average net assets <sup>f</sup>						
Expenses	1.15%	1.15%	1.15%	1.16%	1.16%	1.16%
Net investment income	3.84%	3.33%	3.79%	4.08%	4.05%	4.19%
Supplemental data						
Net assets, end of period (000's)	\$211,658	\$269,209	\$283,985	\$234,494	\$252,630	\$186,238
Portfolio turnover rate	11.12%	15.99%	11.93%	12.49%	14.19%	13.04%

a The 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.

<sup>&</sup>lt;sup>b</sup>Based 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.

<sup>&</sup>lt;sup>f</sup>Ratios are annualized for periods less than one year.

#### Financial Highlights (continued)

#### Franklin California Insured Tax-Free Income Fund

	Six Months Ended December 31, 2013 Year Ended June 30,			e 30,		
Advisor Class	(unaudited)	2013	2012	2011	2010	2009ª
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.35	\$12.74	\$11.77	\$12.08	\$11.45	\$11.33
Income from investment operations <sup>b</sup> :						
Net investment income <sup>c</sup>	0.27	0.52	0.55	0.56	0.56	0.37
Net realized and unrealized gains (losses)	(0.25)	(0.40)	0.97	(0.31)	0.63	0.12
Total from investment operations	0.02	0.12	1.52	0.25	1.19	0.49
Less distributions from net investment income	(0.26)	(0.51)	(0.55)	(0.56)	(0.56)	(0.37)
Net asset value, end of period	\$12.11	\$12.35	\$12.74	\$11.77	\$12.08	\$11.45
Total return <sup>d</sup>	0.18%	0.81%	13.14%	2.17%	10.52%	4.37%
Ratios to average net assets						
Expenses	0.50%	0.50%	0.50%	0.51%	0.51%	0.51%
Net investment income	4.49%	3.98%	4.44%	4.73%	4.70%	4.84%
Supplemental data						
Net assets, end of period (000's)	\$46,097	\$62,163	\$56,993	\$41,213	\$10,960	\$2,100
Portfolio turnover rate	11.12%	15.99%	11.93%	12.49%	14.19%	13.04%

<sup>&</sup>lt;sup>a</sup>For the period October 31, 2008 (effective date) to June 30, 2009.

bThe 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.

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

dTotal return is not annualized for periods less than one year.

eRatios are annualized for periods less than one year.

Municipal Bonds 99.2%           California 99.2%           ABAG Finance Authority for Nonprofit Corps. California Health Facilities Revenue, Institute on Aging, Series A, California Mortgage Insured, 5.65%, 8/15/38         \$ 9,000,000         \$ 9,384,120           ABAG Finance Authority for Nonprofit Corps. Revenue,         Casa de las Campanas Inc., California Mortgage Insured, 6.00%, 9/01/37         11,000,000         11,866,690           Channing House, California Mortgage Insured, 6.00%, 5/15/30         8,495,000         9,167,889           Sansum-Santa Barbara, Refunding, Series A, California Mortgage Insured, 5.60%, 4/01/26         2,750,000         2,752,832           Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding, Series A, AMBAC Insured, 5.25%, 10/01/21         64,660,000         69,171,975           5.45%, 10/01/25         25,000,000         26,422,500           Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999, Series B, NATL RE, FGIC Insured, zero cpn., 9/01/27         3,035,000         1,583,360           Alisal USD, GO, Capital Appreciation, Election of 2006, Series B, Assured Guaranty, zero cpn.,         1,583,360	Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
California 99.2%  ABAG Finance Authority for Nonprofit Corps. California Health Facilities Revenue, Institute on Aging, Series A, California Mortgage Insured, 5.65%, 8/15/38 \$9,000,000 \$9,384,120 ABAG Finance Authority for Nonprofit Corps. Revenue,  Casa de las Campanas Inc., California Mortgage Insured, 6.00%, 9/01/37 11,000,000 11,866,690 Channing House, California Mortgage Insured, 6.00%, 5/15/30 8,495,000 9,167,889 Sansum-Santa Barbara, Refunding, Series A, California Mortgage Insured, 5.60%,  4/01/26 2,750,000 2,752,832 Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding,  Series A, AMBAC Insured,  5.25%, 10/01/21 64,660,000 69,171,975 5.45%, 10/01/25 25,000,000 26,422,500 Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999,  Series B, NATL RE, FGIC Insured, zero cpn., 9/01/27 3,035,000 1,583,360	Municipal Bonds 99.2%		
Aging, Series A, California Mortgage Insured, 5.65%, 8/15/38 \$9,000,000 \$9,384,120 ABAG Finance Authority for Nonprofit Corps. Revenue,  Casa de las Campanas Inc., California Mortgage Insured, 6.00%, 9/01/37 11,000,000 11,866,690 Channing House, California Mortgage Insured, 6.00%, 5/15/30 8,495,000 9,167,889 Sansum-Santa Barbara, Refunding, Series A, California Mortgage Insured, 5.60%, 4/01/26 2,750,000 2,752,832 Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding, Series A, AMBAC Insured,  5.25%, 10/01/21 64,660,000 69,171,975 5.45%, 10/01/25 25,000,000 26,422,500 Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999, Series B, NATL RE, FGIC Insured, zero cpn., 9/01/27 3,035,000 1,583,360	-		
ABAG Finance Authority for Nonprofit Corps. Revenue,  Casa de las Campanas Inc., California Mortgage Insured, 6.00%, 9/01/37	ABAG Finance Authority for Nonprofit Corps. California Health Facilities Revenue, Institute on		
Casa de las Campanas Inc., California Mortgage Insured, 6.00%, 9/01/37       11,000,000       11,866,690         Channing House, California Mortgage Insured, 6.00%, 5/15/30       8,495,000       9,167,889         Sansum-Santa Barbara, Refunding, Series A, California Mortgage Insured, 5.60%, 4/01/26       2,750,000       2,752,832         Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding, Series A, AMBAC Insured, 5.25%, 10/01/21       64,660,000       69,171,975         5.45%, 10/01/25       25,000,000       26,422,500         Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999, Series B, NATL RE, FGIC Insured, zero cpn., 9/01/27       3,035,000       1,583,360	Aging, Series A, California Mortgage Insured, 5.65%, 8/15/38	\$ 9,000,000	\$ 9,384,120
Channing House, California Mortgage Insured, 6.00%, 5/15/30 8,495,000 9,167,889 Sansum-Santa Barbara, Refunding, Series A, California Mortgage Insured, 5.60%, 4/01/26 2,750,000 2,752,832 Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding, Series A, AMBAC Insured, 5.25%, 10/01/21 64,660,000 69,171,975 5.45%, 10/01/25 25,000,000 26,422,500 Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999, Series B, NATL RE, FGIC Insured, zero cpn., 9/01/27 3,035,000 1,583,360			
Sansum-Santa Barbara, Refunding, Series A, California Mortgage Insured, 5.60%,       2,750,000       2,752,832         Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding,       5.25%, 10/01/21       64,660,000       69,171,975         5.45%, 10/01/25       25,000,000       26,422,500         Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999,       3,035,000       1,583,360			
4/01/26       2,750,000       2,752,832         Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding,       2,750,000       2,752,832         Series A, AMBAC Insured,       64,660,000       69,171,975         5.25%, 10/01/21       64,660,000       69,171,975         5.45%, 10/01/25       25,000,000       26,422,500         Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999,       3,035,000       1,583,360		8,495,000	9,167,889
Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding,       Series A, AMBAC Insured,         5.25%, 10/01/21       64,660,000       69,171,975         5.45%, 10/01/25       25,000,000       26,422,500         Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999,       3,035,000       1,583,360			
Series A, AMBAC Insured,       64,660,000       69,171,975         5.25%, 10/01/21       64,660,000       69,171,975         5.45%, 10/01/25       25,000,000       26,422,500         Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999,       3,035,000       1,583,360		2,750,000	2,752,832
5.25%, 10/01/21       64,660,000       69,171,975         5.45%, 10/01/25       25,000,000       26,422,500         Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999,       3,035,000       1,583,360			
5.45%, 10/01/25       25,000,000       26,422,500         Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999,       3,035,000       1,583,360		64 660 000	60 171 075
Alhambra City Elementary School District GO, Capital Appreciation, Election of 1999, Series B, NATL RE, FGIC Insured, zero cpn., 9/01/27			
Series B, NATL RE, FGIC Insured, zero cpn., 9/01/27         3,035,000         1,583,360	,	25,000,000	20,422,500
		3 035 000	1 583 360
······ / ···· / ·· / ·· / ·· / ··· / ·· / ··· / ··· / · /		3,000,000	1,000,000
8/01/32		3.355.000	1.172.472
8/01/33		, ,	, ,
2/01/34		, ,	
Alvord USD, GO, Riverside County,	Alvord USD, GO, Riverside County,		
Election of 2007, Series A, AGMC Insured, 5.00%, 8/01/32	Election of 2007, Series A, AGMC Insured, 5.00%, 8/01/32	9,070,000	9,173,126
Election of 2012, Refunding, Series A, AGMC Insured, 5.00%, 8/01/42	Election of 2012, Refunding, Series A, AGMC Insured, 5.00%, 8/01/42	14,690,000	14,513,279
Anaheim City School District GO, AGMC Insured, 6.25%, 8/01/40	Anaheim City School District GO, AGMC Insured, 6.25%, 8/01/40	7,500,000	8,442,150
Anaheim PFAR, Distribution System, second lien, NATL Insured, 5.00%, 10/01/29 5,000,000 5,086,750		5,000,000	5,086,750
Antioch USD, GO, Election of 2008, School Facilities Improvement No. 1-B, Assured Guaranty,	·		
5.375%, 8/01/36	·		
Atascadero CDA Tax Allocation, Redevelopment Project, XLCA Insured, 5.00%, 9/01/34 4,315,000 4,040,221			
Atascadero USD, GO, Election of 2010, Series A, AGMC Insured, 5.00%, 8/01/40 6,235,000 6,246,410			
Atwater PFA Wastewater Revenue, AGMC Insured, 6.125%, 5/01/45			
Auburn PFA Wastewater Revenue, Assured Guaranty, 5.50%, 6/01/39			
Auburn USD, COP, Refinancing Project, Assured Guaranty, 5.00%, 6/01/38       10,000,000       10,024,200         Bakersfield Wastewater Revenue, Series A, AGMC Insured, 5.00%, 9/15/32       10,430,000       10,933,665			
Baldwin Park RDA Tax Allocation, Refunding, AGMC Insured, 5.70%, 9/01/25			
Baldwin Park NDA 10x Anocation, Refunding, Admic Insured, 5.70%, 9/01/25		4,000,000	4,004,060
Capital Appreciation, Election of 2006, AGMC Insured, zero cpn., 8/01/28 5,810,000 2,553,321		5 810 000	2 553 321
Los Angeles County, Election of 2006, Refunding, Build America Mutual Assurance,		0,010,000	2,000,021
5.00%, 8/01/43		5,000,000	4,976,850
Bay Area Toll Authority Toll Bridge Revenue, Series S-4, AGMC Insured, 5.125%, 4/01/48 20,000,000 20,108,000	Bay Area Toll Authority Toll Bridge Revenue, Series S-4, AGMC Insured, 5.125%, 4/01/48	20,000,000	20,108,000
Beaumont USD, GO, Election of 2008, Series C, AGMC Insured,			
5.75%, 8/01/36	5.75%, 8/01/36	6,200,000	6,651,608
zero cpn., 8/01/40	zero cpn., 8/01/40	11,000,000	2,382,050
Berkeley USD, GO, Election of 2010, Series B, AGMC Insured, 5.375%, 8/01/35 5,090,000 5,361,704	Berkeley USD, GO, Election of 2010, Series B, AGMC Insured, 5.375%, 8/01/35	5,090,000	5,361,704
Brentwood Infrastructure Financing Authority Infrastructure Revenue, Refunding, Series A,	Brentwood Infrastructure Financing Authority Infrastructure Revenue, Refunding, Series A,		
AGMC Insured, 5.00%, 9/02/32			, ,
Buckeye USD, GO, Election of 2006, AGMC Insured, 5.00%, 8/01/32		10,705,000	10,911,178
California Community College Financing Authority Lease Revenue,			
Grossmont Palomar and Shasta, Series A, NATL Insured, 5.125%, 4/01/31		,	,
Sequoias and Kern, AGMC Insured, 5.00%, 6/01/30	• • • • • • • • • • • • • • • • • • • •		
Sequoias and Kern, AGMC Insured, 5.125%, 6/01/35         1,250,000         1,255,688	Sequoias and Kern, AGMC insured, 5.125%, 6/U1/35	1,250,000	1,∠55,688

Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
California Educational Facilities Authority Revenue, Stanford University,		
Refunding, Series U-2, 5.00%, 10/01/32	\$25,980,000	\$ 30,244,617
Refunding, Series U-3, 5.00%, 6/01/43	16,245,000	18,190,339
Series U-4, 5.00%, 6/01/43	9,775,000	10,945,556
California Health Facilities Financing Authority Revenue,		
Community Health Facilities, Series A, California Mortgage Insured, 5.80%, 8/01/25	845,000	846,986
Northern California Presbyterian Homes and Services Inc., Refunding, 5.40%, 7/01/28	5,000,000	4,985,050
Senior Living, Aldersly, Series A, California Mortgage Insured, 5.25%, 3/01/32	2,000,000	1,976,800
Sutter Health, Series A, BHAC Insured, 5.00%, 11/15/42	15,000,000	15,010,950
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	8,460,000	9,956,659
California Municipal Finance Authority Senior Living Revenue, Pilgrim Place in Claremont,		
Series A, California Mortgage Insured,		
5.875%, 5/15/29	2,895,000	3,054,283
6.125%, 5/15/39	5,830,000	6,037,606
California Public School District Financing Authority Lease Revenue, Southern Kern USD,		
Series B, AGMC Insured, ETM, 5.90%, 9/01/26	1,615,000	1,981,443
California School Facilities Financing Authority Revenue, Azusa USD, Series A, AGMC Insured,		
5.00%, 8/01/32	10,000,000	10,159,900
California State Department of Water Resources Water System Revenue, Central Valley Project,		
Series AC, NATL Insured, Pre-Refunded, 5.00%, 12/01/26	40,000	41,750
Series AD, AGMC Insured, Pre-Refunded, 5.00%, 12/01/26	25,000	26,680
California State GO,		
NATL Insured, 6.00%, 8/01/16	210,000	210,928
NATL Insured, 6.00%, 10/01/21	65,000	65,829
Various Purpose, FGIC Insured, 5.375%, 6/01/26	1,335,000	1,357,775
California State Health Facilities Financing Authority Revenue,		
Children's Hospital Los Angeles, Refunding, Series A, AGMC Insured, 5.25%, 7/01/38	7,000,000	6,952,260
Community Development Program for Persons with Developmental Disabilities, Series A,		
California Mortgage Insured, 6.25%, 2/01/26	5,000,000	5,756,400
California State Public Works Board Lease Revenue, Department of Mental Health Hospital,		
Series A, AMBAC Insured, 5.00%,		
12/01/21	4,100,000	4,109,102
12/01/26	5,675,000	5,685,272
California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%,		
11/01/33	5,000,000	5,222,500
California Statewide CDA,		
COP, NATL Insured, 5.00%, 4/01/18	3,000,000	2,969,370
COP, Refunding, California Mortgage Insured, 5.75%, 8/01/21	3,685,000	3,688,685
MFHR, 740 S. Olive Street Apartments, Series L, GNMA Secured, 4.90%, 7/20/39	13,475,000	12,630,252
MFHR, 740 S. Olive Street Apartments, Series L, GNMA Secured, 5.10%, 7/20/50	10,000,000	9,417,500
MFHR, Silver Ridge Apartments, Mandatory Put 8/01/21, Series H, FNMA Insured, 5.80%,		
8/01/33	2,785,000	2,787,172
California Statewide CDA Revenue,		
Adventist Health System/West, Series B, Assured Guaranty, 5.00%, 3/01/37	17,000,000	17,012,240
Catholic Healthcare West, Series K, Assured Guaranty, 5.50%, 7/01/41	17,000,000	17,648,210
Enloe Medical Center, Series B, California Mortgage Insured, 6.25%, 8/15/28	17,215,000	19,329,691
Henry Mayo Newhall Memorial, Series B, AMBAC Insured, 5.05%, 10/01/28	7,825,000	8,131,349

Franklin California Insured Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
California (continued)			
California Statewide CDA Revenue, (continued)			
Methodist Hospital of Southern California Project, FHA Insured, 6.75%, 2/01/38	\$17,765,000	\$	19,965,018
Poway RHF Housing Inc., Series A, California Mortgage Insured, 5.25%, 11/15/35	2,000,000	Ψ	1,981,900
The Redwoods Project, Refunding, California Mortgage Insured, 5.125%, 11/15/35	2,000,000		2,014,500
The Redwoods Project, Refunding, California Mortgage Insured, 5.375%, 11/15/44	7,250,000		7,296,327
Refunding, Series A, California Mortgage Insured, 5.00%, 8/01/21	1,095,000		1,097,606
St. Joseph Health System, Series E, AGMC Insured, 5.25%, 7/01/47	20,000,000		20,214,600
Sutter Health, Series C, AGMC Insured, 5.05%, 8/15/38	15,000,000		14,936,400
California Statewide CDA Water and Wastewater Revenue, Pooled Financing Program,	13,000,000		14,550,400
	2 505 000		2 507 270
Refunding, Series A, AGMC Insured, 5.00%, 10/01/32	2,585,000		2,587,378
Carlsbad USD, COP, Series A, Assured Guaranty, 5.00%,	14,000,000		14 170 000
10/01/34	14,000,000		14,172,900
10/01/41	3,880,000		3,833,789
Castaic USD, COP, Refunding, AGMC Insured, 5.125%, 9/01/33	1,000,000		1,006,930
Castro Valley USD, COP, Solar Projects, AGMC Insured, 5.00%, 9/01/32	2,620,000		2,557,723
Centinela Valley UHSD, GO, County of Los Angeles, Election of 2010, Series B, AGMC Insured,			
5.00%, 8/01/50	3,850,000		3,798,872
Central USD, GO, Election of 2008, Series A, Assured Guaranty,			
5.50%, 8/01/29	3,000,000		3,238,440
5.625%, 8/01/33	3,500,000		3,752,770
Chico PFAR, Merged Redevelopment Project Area, NATL Insured, 5.125%, 4/01/24	2,790,000		2,790,893
Coachella Valley USD, GO, Capital Appreciation, Election of 2005, Series C, AGMC Insured,			
zero cpn.,			
8/01/36	8,000,000		2,229,360
8/01/37	8,000,000		2,087,520
8/01/40	7,500,000		1,615,800
8/01/43	10,000,000		1,785,800
College of the Sequoias Tulare Area ID No. 3 GO, Election of 2008, Series A,			
Assured Guaranty, 5.50%, 8/01/33	5,000,000		5,169,300
College of the Sequoias Visalia Area ID No. 2 GO, Election of 2008,			
Series A, Assured Guaranty, 5.50%, 8/01/33	5,750,000		6,048,022
Series B, AGMC Insured, 5.00%, 8/01/39	3,000,000		3,009,870
Colton Joint USD, GO,			
Capital Appreciation, Election of 2008, Series B, AGMC Insured, zero cpn., 8/01/42	16,365,000		2,946,846
San Bernardino and Riverside Counties, Election of 2008, Series A, Assured Guaranty,			
5.375%, 8/01/34	10,665,000		11,238,670
Compton USD, GO, Election of 2002, Series B, NATL Insured, Pre-Refunded, 5.00%,			
6/01/29	2,000,000		2,038,380
Corona-Norco USD, GO,			
Capital Appreciation, Refunding, Series B, AGMC Insured, zero cpn., 3/01/25	1,400,000		837,214
Capital Appreciation, Series B, AGMC Insured, zero cpn., 9/01/23	2,320,000		1,517,860
Capital Appreciation, Series B, AGMC Insured, zero cpn., 9/01/24	2,620,000		1,628,566
Capital Appreciation, Series C, NATL RE, FGIC Insured, zero cpn., 9/01/25	4,655,000		2,714,191
Capital Appreciation, Series C, NATL RE, FGIC Insured, zero cpn., 9/01/26	6,080,000		3,343,210
Election of 2006, Series B, Assured Guaranty, 5.375%, 2/01/34	12,000,000		12,849,360
Election of 2006, Series C, AGMC Insured, 5.50%, 8/01/39	7,500,000		7,915,200
Coronado CDA Tax Allocation, Community Development Project, NATL Insured, 5.375%,	7,500,000		7,515,200
9/01/26	2,700,000		2,704,158
JI V II L V	2,700,000		2,704,100

Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Covina PFA Wastewater Revenue, Assured Guaranty, 5.375%, 10/01/29	\$ 6,550,000	\$ 7,010,596
Covina PFA Water Revenue, AGMC Insured, 5.50%, 10/01/40	3,500,000	3,623,025
Delano USD, COP, Refinancing Project, NATL Insured, 5.125%, 1/01/22	1,620,000	1,634,240
Desert Sands USD, COP, Financing Project, AGMC Insured, 5.75%, 3/01/24	10,000,000	10,607,900
El Monte UHSD, GO, Election of 2008, Series A, Assured Guaranty, 5.50%, 6/01/34	11,355,000	12,068,094
Elsinore Valley Municipal Water District COP, Refunding, Series A, BHAC Insured, 5.00%,		
7/01/29	7,245,000	7,770,262
Escondido UHSD, COP, AGMC Insured, 5.00%,		
6/01/33	3,500,000	3,444,315
6/01/37	2,500,000	2,416,225
Fairfax Elementary School District GO, Election of 2010, AGMC Insured, 5.75%, 11/01/40	2,250,000	2,372,940
Fairfield Suisun USD, GO, Election of 2002, NATL Insured, Pre-Refunded, 5.00%,	,,	, - , -
8/01/25	4,185,000	4,299,753
Florin Resource Conservation District COP, Elk Grove Water Service, Refunding, Series A,	.,===,===	,,,,
NATL Insured, 5.00%, 3/01/33	5,000,000	4,885,200
Fontana USD, GO, Series A, AGMC Insured,	-,,	.,,
5.25%, 8/01/28	275,000	280,761
Pre-Refunded, 5.25%, 8/01/27	6,435,000	6,620,585
Pre-Refunded, 5.25%, 8/01/28	6,725,000	6,918,949
Foothill/Eastern Transportation Corridor Agency Toll Road Revenue,	0,720,000	0,310,313
Capital Appreciation, NATL Insured, Pre-Refunded, zero cpn., 1/15/19	5,970,000	4,524,663
<sup>a</sup> Refunding, Series A, AGMC Insured, 5.00%, 1/15/42	10,000,000	9,494,600
<sup>a</sup> Refunding, Series A, AGMC Insured, zero cpn. to 1/15/24, 5.625% thereafter, 1/15/32	37,260,000	21,211,373
senior lien, Refunding, Series A, NATL Insured, 5.00%, 1/01/35	66,735,000	60,152,927
<sup>a</sup> Series A, AGMC Insured, zero cpn. to 1/15/24, 5.50% thereafter, 1/15/31	35,000,000	20,065,850
Fort Bragg USD, GO, Election of 2008, AGMC Insured, 5.125%, 8/01/41	4,380,000	4,325,644
Fowler USD, GO,	.,000,000	.,020,01.
Capital Appreciation, Election of 2004, Series C, AGMC Insured, zero cpn., 8/01/41	3,095,000	582,355
Capital Appreciation, Election of 2004, Series C, AGMC Insured, zero cpn., 8/01/42	3,005,000	530,713
Election of 2004, Series C, AGMC Insured, 5.25%, 8/01/39	3,555,000	3,658,308
Franklin-McKinley School District GO,	0,000,000	0,000,000
Election of 2004, Series A, FGIC Insured, Pre-Refunded, 5.00%, 8/01/29	5,280,000	5,672,568
Santa Clara County, Election of 2010, Series C, Build America Mutual Assurance, 5.00%,	0,200,000	0,072,000
8/01/44	5,000,000	5,007,350
Fresno USD, GO, Refunding, Series C, NATL Insured, 5.90%,	0,000,000	0,007,000
2/01/20	2,065,000	2,380,532
8/01/22	3,000,000	3,337,350
Fullerton School District Financing Authority Special Tax Revenue, senior lien, Refunding,	3,000,000	0,007,000
Series A, AGMC Insured, 5.00%, 9/01/31	2,500,000	2,501,725
Fullerton School District GO, Capital Appreciation, Series A, NATL RE, FGIC Insured,	2,000,000	2,001,720
zero cpn., 8/01/23	3,030,000	2,097,002
Glendora PFAR Tax Allocation, Project No. 1, Refunding, Series A, NATL Insured, 5.00%,	0,000,000	2,037,002
9/01/24	5,000,000	4,890,650
Grossmont UHSD, GO,	2,000,000	1,000,000
Capital Appreciation, Election of 2004, AGMC Insured, zero cpn., 8/01/24	5,110,000	3,281,897
Election of 2008, Series A, AGMC Insured, 5.00%, 8/01/33	1,440,000	1,490,918
Election of 2008, Series A, AGMC Insured, 5.25%, 8/01/33	7,510,000	8,021,356
	.,020,000	_,,

Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Hawthorne School District GO, Election of 2008, Series A, Assured Guaranty, 5.00%,		
8/01/34	\$ 1,000,000	\$ 1,015,510
Hayward USD, GO, Capital Appreciation, Election of 2008, Series A, AGMC Insured, zero cpn.,		
8/01/38	9,875,000	1,924,341
Hollister RDA Tax Allocation, Community Development Project, Refunding, AMBAC Insured,		
5.125%, 10/01/32	19,815,000	18,906,482
Huntington Beach UHSD, COP, Adult Education Project, AGMC Insured, 5.25%, 9/01/39	2,000,000	1,963,900
Indian Wells Valley Water District COP, Refunding, Assured Guaranty,		
5.125%, 10/01/32	1,690,000	1,794,966
5.25%, 10/01/39	7,590,000	7,925,098
Jefferson UHSD San Mateo County GO, Refunding, Series A, NATL Insured, 6.45%,		
8/01/25	3,045,000	3,585,457
8/01/29	3,075,000	3,604,730
Jurupa Community Services District Special Tax, CFD No. 2, Series A, NATL Insured, 5.00%,		
9/01/32	7,000,000	6,207,810
Jurupa PFA Special Tax Revenue,		
Refunding, Series A, AGMC Insured, 5.25%, 9/01/42	3,250,000	3,230,695
Series A, AGMC Insured, 5.125%, 9/01/37	4,000,000	3,980,720
Jurupa PFAR, superior lien, Refunding, Series A, AGMC Insured, 5.00%, 9/01/30	4,000,000	4,088,280
Kern High School District GO, AGMC Insured, ETM, 6.625%,		
8/01/14	1,535,000	1,590,828
8/01/15	1,400,000	1,538,544
La Habra COP, Refunding, Series A, AGMC Insured, 5.25%, 9/01/40	7,900,000	8,041,410
La Mirada RDA Tax Allocation, Merged Project Area, Refunding, Series A, AGMC Insured,		
5.00%, 8/15/28	1,855,000	1,887,258
Lake Elsinore USD, COP, School Facilities Project Funding Program, AGMC Insured, 5.00%,		
6/01/42	10,000,000	9,646,900
Lake Tahoe USD, GO, Election of 2008, AGMC Insured, 5.375%, 8/01/29	10,000,000	10,681,000
Lakeside USD San Diego County GO, Capital Appreciation, Election of 2008, Series B,		
zero cpn., 8/01/45	11,540,000	1,817,435
Lancaster School District GO, Capital Appreciation, Election of 1999, NATL Insured, zero cpn.,		
8/01/25	5,495,000	3,063,792
7/01/26	5,965,000	3,163,896
Lawndale RDA Tax Allocation, Economic Revitalization Project, Assured Guaranty, 5.50%,		
8/01/44	6,085,000	6,087,617
Lemon Grove School District GO, Election of 2008, Series A, Assured Guaranty, 5.125%,		
8/01/33	2,100,000	2,152,584
Live Oak School District COP, Assured Guaranty,		
5.50%, 8/01/29	1,245,000	1,316,998
5.875%, 8/01/34	2,270,000	2,412,987
5.875%, 8/01/39	2,750,000	2,888,765
Lodi Electric System Revenue COP, Series A, Assured Guaranty, 5.00%, 7/01/32	18,960,000	19,294,834
Lodi USD School Facilities ID No. 1 GO, Election of 2006, AGMC Insured, 5.00%,		
8/01/32	1,000,000	1,016,650
Long Beach Bond Finance Authority Tax Allocation Revenue, North Long Beach Redevelopment		
Projects, Series A, AMBAC Insured, 5.00%,		
8/01/25	7,015,000	6,717,424
8/01/31	3,135,000	2,816,139

Municipal Bonds (continued)         Value           California (continued)         California (continued)           Los Angeles COP, Municipal Improvement Corp. of Los Angeles, Program AW Certificates,             AMBAC Insured, 5.00%, 6/01/27         \$ 5,895,000         \$ 5,905,611           Los Angeles Department of Airports Revenue, Los Angeles International Airport, Senior,             Series D, 5.00%, 5/15/40         30,000,000         30,504,600           Los Angeles Mortgage Revenue, Refunding, Series I, NATL Insured, 6.50%, 7/01/22         540,000         540,243           Los Angeles USD, GO,             Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27         5,000,000         5,379,300           Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28         5,000,000         5,355,150           Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27         5,800,000         6,239,988           Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%,             9/01/18         1,515,000         1,528,302           Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded,             5.00%, 7/01/29         1,200,000         1,227,792           McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty,             5.00%, 10/01/40         5,115,000         4,847,588           Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured,             5.125%, 8/01/41         7,500,000 <td< th=""></td<>
California (continued)           Los Angeles COP, Municipal Improvement Corp. of Los Angeles, Program AW Certificates, AMBAC Insured, 5.00%, 6/01/27         \$ 5,895,000         \$ 5,905,611           Los Angeles Department of Airports Revenue, Los Angeles International Airport, Senior, Series D, 5.00%, 5/15/40         30,000,000         30,504,600           Los Angeles Mortgage Revenue, Refunding, Series I, NATL Insured, 6.50%, 7/01/22         540,000         540,243           Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27         5,000,000         5,379,300           Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28         5,000,000         5,355,150           Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27         5,800,000         6,239,988           Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18         1,515,000         1,528,302           Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29         1,200,000         1,227,792           McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40         5,115,000         4,847,588           Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41         7,500,000         7,461,300           Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19         2,460,000
Los Angeles COP, Municipal Improvement Corp. of Los Angeles, Program AW Certificates,
AMBAC Insured, 5.00%, 6/01/27 \$5,895,000 \$5,905,611  Los Angeles Department of Airports Revenue, Los Angeles International Airport, Senior, Series D, 5.00%, 5/15/40 30,000,000 30,504,600  Los Angeles Mortgage Revenue, Refunding, Series I, NATL Insured, 6.50%, 7/01/22 540,000 540,243  Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27 5,000,000 5,379,300  Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28 5,000,000 5,355,150  Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27 5,800,000 6,239,988  Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18 1,515,000 1,528,302  Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29 1,200,000 1,227,792  McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40 5,115,000 4,847,588  Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41 7,500,000 7,461,300  Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19 2,465,043  Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33 2,700,000 2,810,700  Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41 17,500,000 19,042,975  Moorpark USD,
Los Angeles Department of Airports Revenue, Los Angeles International Airport, Senior,         30,000,000         30,504,600           Series D, 5.00%, 5/15/40         30,000,000         30,504,600           Los Angeles Mortgage Revenue, Refunding, Series I, NATL Insured, 6.50%, 7/01/22         540,000         540,243           Los Angeles USD, GO,         5,000,000         5,379,300           Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27         5,000,000         5,379,300           Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27         5,000,000         5,355,150           Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27         5,800,000         6,239,988           Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18         1,515,000         1,528,302           Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29         1,200,000         1,227,792           McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40         5,115,000         4,847,588           Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41         7,500,000         7,461,300           Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19         2,460,000         2,465,043           Montebello USD, GO, Election of 2004, AGMC Insure
Series D, 5.00%, 5/15/40       30,000,000       30,504,600         Los Angeles Mortgage Revenue, Refunding, Series I, NATL Insured, 6.50%, 7/01/22       540,000       540,243         Los Angeles USD, GO,       Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27       5,000,000       5,379,300         Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28       5,000,000       5,355,150         Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27       5,800,000       6,239,988         Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18       1,515,000       1,528,302         Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29       1,200,000       1,227,792         McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40       5,115,000       4,847,588         Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975
Los Angeles Mortgage Revenue, Refunding, Series I, NATL Insured, 6.50%, 7/01/22         540,000         540,243           Los Angeles USD, GO,         Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27         5,000,000         5,379,300           Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28         5,000,000         5,355,150           Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27         5,800,000         6,239,988           Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18         1,515,000         1,528,302           Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29         1,200,000         1,227,792           McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40         5,115,000         4,847,588           Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41         7,500,000         7,461,300           Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19         2,460,000         2,465,043           Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33         2,700,000         2,810,700           Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41         17,500,000         19,042,975
Los Angeles USD, GO,       Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27       5,000,000       5,379,300         Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28       5,000,000       5,355,150         Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27       5,800,000       6,239,988         Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18       1,515,000       1,528,302         Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29       1,200,000       1,227,792         McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40       5,115,000       4,847,588         Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/27 5,000,000 5,379,300 Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28 5,000,000 5,355,150 Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27 5,800,000 6,239,988 Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18 1,515,000 1,528,302 Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29 1,200,000 1,227,792 McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40 5,115,000 4,847,588 Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41 7,500,000 7,461,300 Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19 2,460,000 2,465,043 Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33 2,700,000 2,810,700 Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41 17,500,000 19,042,975 Moorpark USD,
Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/28 5,000,000 5,355,150 Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27 5,800,000 6,239,988 Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18 1,515,000 1,528,302 Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29 1,200,000 1,227,792 McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40 5,115,000 4,847,588 Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41 7,500,000 7,461,300 Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19 2,465,043 Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33 2,700,000 2,810,700 Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41 17,500,000 19,042,975 Moorpark USD,
Election of 2005, Series E, AGMC Insured, 5.00%, 7/01/27 5,800,000 6,239,988  Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18 1,515,000 1,528,302  Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded, 5.00%, 7/01/29 1,200,000 1,227,792  McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty, 5.00%, 10/01/40 5,115,000 4,847,588  Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured, 5.125%, 8/01/41 7,500,000 7,461,300  Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding, NATL Insured, 5.60%, 3/01/19 2,460,000 2,465,043  Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33 2,700,000 2,810,700  Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41 17,500,000 19,042,975  Moorpark USD,
Lynwood PFA Tax Allocation, Project Area A, Refunding, Series A, AGMC Insured, 5.85%, 9/01/18
9/01/18       1,515,000       1,528,302         Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded,       1,200,000       1,227,792         McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty,       5,00%, 10/01/40       5,115,000       4,847,588         Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured,       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
Marin Municipal Water District COP, Financing Project, AMBAC Insured, Pre-Refunded,       1,200,000       1,227,792         McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty,       5,115,000       4,847,588         Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured,       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
5.00%, 7/01/29       1,200,000       1,227,792         McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty,       5,00%, 10/01/40       5,115,000       4,847,588         Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured,       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
McFarland PFAR, Water and Wastewater Financing Projects, Series A, Assured Guaranty,       5,00%, 10/01/40       5,115,000       4,847,588         Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured,       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
5.00%, 10/01/40       5,115,000       4,847,588         Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured,       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,       19,042,975
Mendocino-Lake Community College District GO, Election of 2006, Series B, AGMC Insured,       7,500,000       7,461,300         5.125%, 8/01/41       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         MATL Insured, 5.60%, 3/01/19       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
5.125%, 8/01/41       7,500,000       7,461,300         Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         NATL Insured, 5.60%, 3/01/19       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,       19,042,975       10,042,975       10,042,975       10,042,975
Montebello CRDA Tax Allocation, Montebello Hills Redevelopment Project, Refunding,       2,460,000       2,465,043         NATL Insured, 5.60%, 3/01/19       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,       19,042,975       10,042,975       10,042,975
NATL Insured, 5.60%, 3/01/19       2,460,000       2,465,043         Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
Montebello USD, GO, Election of 2004, AGMC Insured, 5.00%, 8/01/33       2,700,000       2,810,700         Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41       17,500,000       19,042,975         Moorpark USD,
Monterey Peninsula USD, GO, Election of 2010, Series A, AGMC Insured, 5.75%, 8/01/41 17,500,000 19,042,975 Moorpark USD,
Moorpark USD,
•
COP, Refullding, Assured Guaranty, 5.625%, 11/01/26
CO. Flastian of 2009. Conital Americanian Course A. Accurat Coursetty many and
GO, Election of 2008, Capital Appreciation, Series A, Assured Guaranty, zero cpn.,
8/01/32
Moreno Valley USD, GO, Election of 2004, Series A, AGMC Insured, Pre-Refunded, 5.00%,
8/01/26
Northern California Public Power Agency Revenue, AMBAC Insured, Pre-Refunded, 7.50%,
7/01/23
Oak View USD, GO, AGMC Insured, 5.00%, 8/01/49       1,895,000       1,824,866
Oceanside USD, GO, Capital Appreciation, Election of 2008,
Refunding, Series A, Assured Guaranty, 5.25%, 8/01/33
Series B, AGMC Insured, zero cpn., 8/01/38
Series B, AGMC Insured, zero cpn., 8/01/39
Paramount USD,
County of Los Angeles, GO, Election of 2006, Build America Mutual Assurance, 5.00%,
8/01/48
GO, Election of 2006, AGMC Insured, 5.00%, 8/01/46
Patterson Joint USD, GO, Capital Appreciation, Series A, NATL RE, FGIC Insured, zero cpn.,
8/01/22
8/01/23
8/01/24
8/01/25
8/01/26
Peralta Community College District GO,
Election of 2000, Series B, NATL Insured, 5.25%, 8/01/32
Election of 2006, Series B, AGMC Insured, 5.00%, 8/01/24
Perris CFD No. 93-1 Special Tax, Series A, AMBAC Insured, 5.125%, 8/15/23

Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Perris School District COP, School Facility Bridge Funding Program, AGMC Insured, 5.50%,		
9/01/34	\$ 4,000,000	\$ 3,847,000
Perris UHSD, GO, Election of 2012, Series A, AGMC Insured, 5.00%, 9/01/42	5,000,000	4,999,650
Pittsburg USD Financing Authority Revenue, Board Program, AGMC Insured, 5.50%,		
9/01/46	9,980,000	10,299,759
Pleasanton USD, COP, Refunding, AGMC Insured, 5.00%, 8/01/29	4,000,000	4,076,080
Pomona USD, GO, Election of 2008,		
Series A, Assured Guaranty, 5.25%, 8/01/33	5,675,000	5,951,145
Series C, AGMC Insured, 5.25%, 8/01/40	16,000,000	16,340,160
Poway RDA Tax Allocation,		
Paguay Redevelopment Project, AMBAC Insured, 5.00%, 12/15/25	9,195,000	9,195,736
Refunding, NATL Insured, 5.75%, 6/15/33	2,225,000	2,159,095
Rancho Cucamonga RDA Tax Allocation, Rancho Redevelopment Project, Refunding,		
AGMC Insured, 5.25%, 9/01/20	2,500,000	2,504,400
Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding,		
Assured Guaranty, 5.875%, 8/01/37	24,000,000	24,797,040
Rio Hondo Community College District GO, Capital Appreciation, Election of 2004, Series C,	4.0.000.000	
zero cpn., 8/01/35	10,000,000	3,101,300
Ripon USD, GO, Election of 2012, Refunding, Series A, Build America Mutual Assurance,	2 000 000	0.007.006
zero cpn. to 8/01/18, 5.00% thereafter, 8/01/42	3,020,000	2,037,836
Riverside Electric Revenue, Issue D, AGMC Insured, 5.00%, 10/01/38	5,310,000	5,381,048
Rohnert Park Community Development Commission Tax Allocation Revenue, Redevelopment		
Project, Series R, NATL RE, FGIC Insured, 5.00%, 8/01/37	3,620,000	3,386,908
Pre-Refunded, 5.00%, 8/01/37	1,380,000	1,497,093
Rosedale-Rio Bravo Water Storage District Revenue COP, Series A, Build America Mutual	1,380,000	1,497,093
Assurance, 5.00%, 1/01/43	1,420,000	1,411,381
Sacramento Area Flood Control Agency Special Assessment,	1,420,000	1,411,501
Consolidated, Capital AD, Refunding, Series A, Assured Guaranty, 5.00%, 10/01/32	5,000,000	5,249,550
Subordinate, Capital AD No. 2, FGIC Insured, 5.80%, 11/01/16	430,000	436,235
Sacramento County Airport System Revenue, Senior, Series B, Assured Guaranty, 5.50%,	100,000	100,200
7/01/34	16,320,000	17,316,173
Salida Area Public Facilities Financing Agency No. 88 Special Tax, Refunding, AGMC Insured,	,,	,,
5.00%, 9/01/30	5,435,000	5,362,117
San Bernardino County SFMR, Capital Appreciation, Series A, GNMA Secured, ETM, zero cpn.,	, ,	, ,
5/01/22	28,405,000	18,848,422
San Francisco BART District GO, Election of 2004, Series C, 5.00%, 8/01/37	4,000,000	4,246,840
San Francisco Community College District GO, Series A, NATL RE, FGIC Insured, 5.00%,		
6/15/26	6,000,000	6,015,000
San Gabriel USD, GO, Capital Appreciation, Series A, AGMC Insured, zero cpn.,		
8/01/26	3,530,000	1,880,537
2/01/27	1,850,000	944,185
San Jacinto USD, COP, Refunding, AGMC Insured, 5.125%, 9/01/30	4,375,000	4,442,419
San Joaquin Delta Community College District GO, Election of 2004,		
Capital Appreciation, Series B, AGMC Insured, zero cpn., 8/01/31	10,475,000	3,963,216
Capital Appreciation, Series B, AGMC Insured, zero cpn., 8/01/32	15,185,000	5,397,964
Series A, AGMC Insured, 5.00%, 8/01/29	520,000	539,323
Series A, AGMC Insured, Pre-Refunded, 5.00%, 8/01/29	4,530,000	4,866,805

Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
San Joaquin Hills Transportation Corridor Agency Toll Road Revenue,		
Capital Appreciation, Refunding, Series A, NATL Insured, zero cpn., 1/15/26	\$13,155,000	\$ 6,357,154
Refunding, Series A, NATL Insured, 5.375%, 1/15/29	18,075,000	16,647,075
Refunding, Series A, NATL Insured, 5.25%, 1/15/30	12,860,000	11,509,700
senior lien, NATL Insured, 5.00%, 1/01/33	10,035,000	9,032,805
San Jose MFHR, Sixth and Martha Family Apartments, FNMA Insured, 5.875%, 3/01/33	3,500,000	3,499,755
San Jose RDA Tax Allocation, Merged Area Redevelopment Project, Series B, XLCA Insured,		
5.00%, 8/01/31	15,470,000	14,621,780
San Juan USD, GO, Election of 2002, BHAC Insured, 5.00%, 8/01/31	5,000,000	5,157,550
San Marcos School Financing Authority Lease Revenue, AGMC Insured, 5.00%, 8/15/40	15,635,000	14,969,105
San Marino USD, GO, Election of 2000, Series A, NATL Insured, zero cpn., 7/01/25	6,080,000	3,657,789
San Mateo GO, Library Improvement Project, Series A, AMBAC Insured, Pre-Refunded, 5.25%,		
8/01/30	5,790,000	5,956,984
San Ysidro School District COP, School Facilities Project, AGMC Insured, 5.00%, 9/01/38	2,800,000	2,608,676
Sanger Financing Authority Wastewater Revenue, Fresno County, Subordinate, AGMC Insured,		
5.00%,		
6/15/35	2,360,000	2,338,477
6/15/43	3,225,000	3,128,218
Sanger Financing Authority Water Revenue, Fresno County, AGMC Insured, 5.00%,		
6/15/43	2,930,000	2,842,071
Santa Ana USD, COP, Capital Appreciation, Financing Project, AGMC Insured, zero cpn.,		
4/01/24	14,245,000	8,930,760
Santa Clara County Financing Authority Revenue, El Camino Hospital, Series B,		
AMBAC Insured, 5.125%, 2/01/41	11,545,000	11,565,088
Santa Monica PFA Lease Revenue, Civic Center Parking Project, XLCA Insured, 5.00%,		
7/01/33	11,050,000	11,177,738
Santa Rita USD, GO, Election of 2006, Series A, AGMC Insured, 5.00%, 8/01/32	6,160,000	6,086,326
Santa Rosa Wastewater Service Facilities District Revenue, Refunding and Improvement,		
AMBAC Insured, 6.00%, 7/02/15	745,000	763,081
Santee School District GO, Election of 2006,		
Series A, AGMC Insured, 5.00%, 8/01/31	6,845,000	6,940,898
Series B, Assured Guaranty, 5.00%, 8/01/38	1,000,000	972,390
Series B, Assured Guaranty, 5.00%, 8/01/48	5,250,000	5,025,300
Saugus/Hart School Facilities Financing Authority Lease Revenue, Series A, AGMC Insured,		
5.00%,		
9/01/35	2,000,000	2,022,420
9/01/40	1,500,000	1,495,515
Snowline Joint USD, COP, Refinancing Project, Refunding, Assured Guaranty, 5.00%,		
9/01/34	13,390,000	13,673,198
Sonoma CDA Tax Allocation, Redevelopment Project, Refunding, Assured Guaranty, 5.00%,		
12/01/30	3,795,000	3,769,156
Southern California Water Replenishment District Revenue COP, 5.00%, 8/01/41	10,000,000	9,722,700
Southern Mono Health Care District GO, Election of 2001, Series A, NATL Insured, zero cpn.,	,,	, , ,
8/01/28	2,340,000	994,032
8/01/29	2,440,000	959,798
8/01/30	2,550,000	931,184
8/01/31	2,660,000	900,171
	,,	- / -

Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Stanislaus USD, GO, Election of 2008,		
Series A, Assured Guaranty, 5.625%, 8/01/33	\$ 4,140,000	\$ 4,438,991
Series B, Assured Guaranty, 5.125%, 8/01/41	3,400,000	3,422,134
Stanton RDA Tax Allocation, Consolidated Redevelopment Project, Series A, AGMC Insured,		
5.00%, 12/01/40	6,020,000	5,795,755
Stockton Revenue COP, Wastewater System Project, Refunding, Series A, NATL Insured,		
5.00%, 9/01/23	6,500,000	6,500,390
Sulphur Springs USD, COP, Capital Appreciation, AGMC Insured, zero cpn. to 12/01/15,		
6.50% thereafter, 12/01/37	15,000,000	14,504,850
Sweetwater UHSD, GO, Election of 2006, Series A, BHAC Insured, 5.00%, 8/01/38	14,980,000	15,144,181
Truckee PFA Tax Allocation Revenue, Truckee Redevelopment Project Loan, Series A,		
AGMC Insured,		
5.00%, 9/01/30	1,255,000	1,306,028
5.375%, 9/01/37	5,000,000	5,156,000
Tulare County Board of Education COP, Capital Improvement Projects, Build America Mutual		
Assurance,		
5.375%, 5/01/33	3,185,000	3,244,337
5.50%, 5/01/38	8,305,000	8,406,985
Tustin CRDA Tax Allocation, Housing, AGMC Insured,		
5.00%, 9/01/30	2,125,000	2,112,994
5.25%, 9/01/39	3,250,000	3,156,140
Union Elementary School District GO, Capital Appreciation,	0.000.000	1 011 100
Series A, NATL RE, FGIC Insured, zero cpn., 9/01/24	2,000,000	1,311,160
Series B, NATL RE, FGIC Insured, zero cpn., 9/01/25	5,500,000	3,360,390
Series B, NATL RE, FGIC Insured, zero cpn., 9/01/26	5,850,000	3,338,361
University of California Revenues, Limited Project, Series D, NATL RE, FGIC Insured, 5.00%,	C 4C0 000	C C70 0E7
5/15/37	6,460,000	6,672,857
Vacaville PFA Tax Allocation Revenue, Vacaville Redevelopment Projects, AGMC Insured, 5.00%, 9/01/31	5,095,000	4,954,938
Val Verde USD,	5,095,000	4,954,956
COP, Refunding, Series A, Assured Guaranty, 5.125%, 3/01/36	7,020,000	6,932,531
GO, Election of 2008, Refunding, Series B, AGMC Insured, zero cpn., 8/01/34	1,000,000	612,640
Vista USD, GO, Capital Appreciation, Series A, AGMC Insured, zero cpn.,	1,000,000	012,040
8/01/26	7,150,000	4,010,578
2/01/27	4,795,000	2,588,533
Washington Township Health Care District Revenue, Refunding,	4,733,000	2,300,333
5.00%, 7/01/18	2,000,000	2,002,560
5.125%, 7/01/13	450,000	450,261
Weaver USD, GO, Election of 2006, Series C, AMBAC Insured, zero cpn., 8/01/47	18,685,000	2,125,232
West Contra Costa USD, GO,	10,000,000	2,123,232
Election of 2005, Series A, AGMC Insured, 5.00%, 8/01/35	20,000,000	20,525,000
Election of 2010, Series A, AGMC Insured, 5.25%, 8/01/41	12,000,000	12,262,680
Refunding, Assured Guaranty, 5.25%, 8/01/29	2,500,000	2,704,075
West Hills Community College District School Facilities ID No. 3 GO, Election of 2008,	_,000,000	_,, 0 1,0, 0
Series B, AGMC Insured, 6.50%, 8/01/41	4,000,000	4,309,080
West Kern Community College District COP, AMBAC Insured, 5.375%, 11/01/28	5,615,000	5,600,345
Western Placer USD, COP, Refinancing Project, AGMC Insured, 5.20%, 11/01/41	1,000,000	1,003,750
3 3, 3, 3, 3, 3, 3, 3, 3, 3, 3, 3, 3, 3,	,	, , 3

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

Franklin California Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Western Riverside County Water and Wastewater Finance Authority Revenue, Western Municipal		
Water District Improvement, Assured Guaranty,		
5.50%, 9/01/34	\$ 1,750,000	\$ 1,809,903
5.625%, 9/01/39	2,500,000	2,530,525
Wiseburn School District GO, Election of 2010,		
Series A, AGMC Insured, 5.75%, 8/01/40	9,215,000	9,682,200
Series B, AGMC Insured, 5.625%, 5/01/41	10,000,000	10,499,100
Woodside Elementary School District GO, Election of 2005, NATL Insured, Pre-Refunded,		
5.00%, 10/01/29	4,435,000	4,988,266
Yosemite Community College District GO, Election of 2004, Series C, AGMC Insured, 5.00%,		
8/01/32	5,000,000	5,299,350
Total Municipal Bonds (Cost \$1,729,036,192) 99.2%		1,789,089,565
Other Assets, less Liabilities 0.8%		14,053,481
Net Assets 100.0%		\$1,803,143,046

See Abbreviations on page 72.

<sup>a</sup>Security purchased on a when-issued basis. See Note 1(b).

## **Financial Highlights**

## Franklin California Intermediate-Term Tax-Free Income Fund

	Six Months End December 31, 20		Year Ended June 30,			
Class A	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.73	\$12.04	\$11.30	\$11.42	\$10.87	\$11.27
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.20	0.38	0.43	0.45	0.45	0.45
Net realized and unrealized gains (losses)	(0.14)	(0.31)	0.74	(0.13)	0.55	(0.40)
Total from investment operations	0.06	0.07	1.17	0.32	1.00	0.05
Less distributions from net investment income	(0.19)	(0.38)	(0.43)	(0.44)	(0.45)	(0.45)
Redemption fees <sup>c</sup>		_	_	_	_	d
Net asset value, end of period	\$11.60	\$11.73	\$12.04	\$11.30	\$11.42	\$10.87
Total returne	0.52%	0.55%	10.53%	2.88%	9.36%	0.51%
Ratios to average net assets						
Expenses	0.63%	0.63%	0.64%	0.64%	0.66%	0.66%
Net investment income	3.36%	3.14%	3.63%	3.93%	3.95%	4.17%
Supplemental data						
Net assets, end of period (000's)	\$791,887	\$785,196	\$741,604	\$589,818	\$669,838	\$517,829
Portfolio turnover rate	11.89%	6.01%	9.95%	9.42%	12.40%	20.01%

a The 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.

<sup>&</sup>lt;sup>b</sup>Based 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.

<sup>&</sup>lt;sup>f</sup>Ratios are annualized for periods less than one year.

## Financial Highlights (continued)

## Franklin California Intermediate-Term Tax-Free Income Fund

		ix Months Ended cember 31, 2013		Year Ended June 30,		
Class C	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.77	\$12.08	\$11.33	\$11.45	\$10.89	\$11.29
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.17	0.32	0.36	0.38	0.38	0.40
Net realized and unrealized gains (losses)	(0.14)	(0.31)	0.76	(0.12)	0.57	(0.41)
Total from investment operations	0.03	0.01	1.12	0.26	0.95	(0.01)
Less distributions from net investment income	(0.16)	(0.32)	(0.37)	(0.38)	(0.39)	(0.39)
Redemption fees <sup>c</sup>		_	_	_	_	d
Net asset value, end of period	\$11.64	\$11.77	\$12.08	\$11.33	\$11.45	\$10.89
Total returne	0.24%	(0.01)%	9.89%	2.40%	8.83%	(0.05)%
Ratios to average net assets <sup>f</sup>						
Expenses	1.18%	1.18%	1.19%	1.19%	1.21%	1.21%
Net investment income	2.81%	2.59%	3.08%	3.38%	3.40%	3.62%
Supplemental data						
Net assets, end of period (000's)	\$200,696	\$197,263	\$173,557	\$128,554	\$111,795	\$59,205
Portfolio turnover rate	11.89%	6.01%	9.95%	9.42%	12.40%	20.01%

a The 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.

<sup>&</sup>lt;sup>b</sup>Based 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.

<sup>&</sup>lt;sup>f</sup>Ratios are annualized for periods less than one year.

## Financial Highlights (continued)

## Franklin California Intermediate-Term Tax-Free Income Fund

	Six Months End December 31, 20	V F 1 20		Year Ended June 30,		
Advisor Class	(unaudited)	2013	2012	2011	2010	2009ª
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.75	\$12.07	\$11.32	\$11.44	\$10.87	\$10.60
Income from investment operations <sup>b</sup> :						
Net investment income <sup>c</sup>	0.20	0.40	0.44	0.46	0.46	0.31
Net realized and unrealized gains (losses)	(0.14)	(0.32)	0.75	(0.13)	0.58	0.27
Total from investment operations	0.06	0.08	1.19	0.33	1.04	0.58
Less distributions from net investment income	(0.19)	(0.40)	(0.44)	(0.45)	(0.47)	(0.31)
Net asset value, end of period	\$11.62	\$11.75	\$12.07	\$11.32	\$11.44	\$10.87
Total return <sup>d</sup>	0.56%	0.56%	10.71%	2.98%	9.65%	5.49%
Ratios to average net assetse						
Expenses	0.53%	0.53%	0.54%	0.54%	0.56%	0.56%
Net investment income	3.46%	3.24%	3.73%	4.03%	4.05%	4.27%
Supplemental data						
Net assets, end of period (000's)	\$204,890	\$218,524	\$160,565	\$95,447	\$36,322	\$156
Portfolio turnover rate	11.89%	6.01%	9.95%	9.42%	12.40%	20.01%

<sup>&</sup>lt;sup>a</sup>For the period October 31, 2008 (effective date) to June 30, 2009.

bThe 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.

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

dTotal return is not annualized for periods less than one year.

eRatios are annualized for periods less than one year.

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds 95.4%			
California 91.1%			
ABAG Finance Authority for Nonprofit Corps. Insured Senior Living Revenue, Odd Fellows			
Home of California, Refunding, Series A, California Mortgage Insured, 5.00%,			
4/01/23	\$ 1,000,000	\$	1,111,620
4/01/24	1,000,000	Ψ	1,093,500
ABAG Finance Authority for Nonprofit Corps. Revenue,	1,000,000		1,050,000
Channing House, California Mortgage Insured, 5.00%, 5/15/20	2,000,000		2,214,040
Episcopal Senior Communities, Refunding, 5.25%, 7/01/22	6,520,000		6,925,674
Episcopal Senior Communities, Refunding, Series B, 5.00%, 7/01/24	1,195,000		1,197,450
Episcopal Senior Communities, Refunding, Series B, 5.00%, 7/01/25	1,360,000		1,376,878
Jackson Laboratory, Refunding, 5.00%, 7/01/21	1,000,000		1,102,180
Jackson Laboratory, Refunding, 5.00%, 7/01/22	920,000		1,007,823
Jackson Laboratory, Refunding, 5.00%, 7/01/23	560,000		604,559
Jackson Laboratory, Refunding, 5.00%, 7/01/24	1,000,000		1,071,350
San Diego Hospital Assn., Series C, 5.125%, 3/01/18	1,595,000		1,604,650
San Diego Hospital Assn., Series C, 5.25%, 3/01/19	2,315,000		2,328,219
ABAG Revenue, SABR, Refunding, Series A-E, 5.40%, 9/15/14	140,000		141,978
Alameda Corridor Transportation Authority Revenue, Capital Appreciation, sub. lien, Refunding,	140,000		141,570
Series A. AMBAC Insured, zero cpn., 10/01/17	10,000,000		9,225,300
Arcadia USD, GO, Capital Appreciation, Election of 2006, Series A, AGMC Insured, zero cpn.,	10,000,000		3,223,300
8/01/22	4,065,000		2,769,241
Baldwin Park USD, GO, Capital Appreciation, Election of 2006, AGMC Insured, zero cpn.,	4,000,000		2,703,241
8/01/24	5,265,000		3,035,167
Banning Utility Authority Water Enterprise Revenue, Refunding and Improvement Projects,	3,203,000		3,033,107
NATL RE, FGIC Insured, 5.00%, 11/01/21	1,080,000		1,184,263
Bay Area Toll Authority Toll Bridge Revenue, San Francisco Bay Area,	1,000,000		1,104,203
Refunding, Series F-1, 5.00%, 4/01/22	15,000,000		17,665,200
Series F, Pre-Refunded, 5.00%, 4/01/24	3,000,000		3,310,440
Bonita Canyon Public Facilities Financing Authority Special Tax, CFD No. 98-1, Refunding,	3,000,000		3,310,440
5.00%,			
9/01/26	1,000,000		1,020,740
9/01/28	2,000,000		2,002,520
Burbank USD, GO, Capital Appreciation, Election of 1997, Series C, NATL RE, FGIC Insured,	2,000,000		2,002,520
zero cpn.,			
8/01/15	4,600,000		4,521,800
8/01/16	4,670,000		4,521,800
California Community College Financing Authority Lease Revenue, Coast Community College	4,070,000		4,314,233
District, Series A, Pre-Refunded, 5.00%, 6/01/26	1,220,000		1 //2 021
California Educational Facilities Authority Revenue,	1,220,000		1,443,931
	5,000,000		5,386,050
Chapman University, Refunding, 5.00%, 4/01/25			
University of San Francisco, 5.00%, 10/01/21	3,000,000		3,373,890
California Health Facilities Financing Authority Revenue,	11 270 000		11 000 702
Catholic Healthcare West, Series K, 5.125%, 7/01/22	11,370,000		11,892,793
Cedars-Sinai Medical Center, Refunding, 5.00%, 11/15/19	2,000,000		2,125,500
Providence Health and Services, Series C, 5.75%, 10/01/19	1,440,000		1,674,317
Providence Health and Services, Series C, 6.00%, 10/01/20	1,500,000		1,734,495
Scripps Health, Series A, 5.00%, 10/01/22	4,600,000		5,039,346
California Infrastructure and Economic Development Bank Revenue, Broad Museum Project,	E 000 000		E 000 000
Series A, 5.00%, 6/01/21	5,000,000		5,896,300

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
California Municipal Finance Authority COP, Community Hospitals of Central California,		
5.00%, 2/01/18	\$ 4,390,000	\$ 4,683,998
5.00%, 2/01/19	3,860,000	4,126,726
5.00%, 2/01/20	1,600,000	1,711,328
5.00%, 2/01/21	1,600,000	1,696,064
Refunding, 5.00%, 2/01/14	1,765,000	1,770,524
Refunding, 5.00%, 2/01/17	4,025,000	4,249,595
Refunding, 5.00%, 2/01/19	2,590,000	2,718,231
California State Department of Water Resources Central Valley Project Water System Revenue,		
Refunding, Series AM, 5.00%, 12/01/24	8,495,000	9,938,470
Series AM, 5.00%, 12/01/23	10,000,000	11,843,700
Series AM, 5.00%, 12/01/25	5,000,000	5,796,100
California State Department of Water Resources Power Supply Revenue,		
Refunding, Series H, 5.00%, 5/01/22	7,400,000	8,539,600
Refunding, Series H, AGMC Insured, 5.00%, 5/01/22	5,000,000	5,770,000
Refunding, Series L, 5.00%, 5/01/22	12,000,000	13,690,440
Refunding, Series N, 5.00%, 5/01/21	10,845,000	12,782,893
Series H, AGMC Insured, 5.00%, 5/01/17	10,420,000	11,894,951
California State Department of Water Resources Water System Revenue, Central Valley Project,		
Refunding, Series AE, 5.00%, 12/01/26	5,000,000	5,524,550
California State Economic Recovery GO, Series A,		
5.00%, 7/01/15	6,115,000	6,260,292
Pre-Refunded, 5.00%, 7/01/15	4,555,000	4,661,633
California State GO,		
5.25%, 6/01/16	515,000	525,444
Refunding, 5.00%, 2/01/22	15,000,000	17,335,350
Refunding, 5.25%, 9/01/22	16,330,000	19,208,816
Refunding, 5.00%, 10/01/22	15,785,000	18,262,456
California State Health Facilities Financing Authority Revenue, Community Program for Persons		
with Developmental Disabilities, Series A, California Mortgage Insured, 6.00%, 2/01/24	2,000,000	2,309,340
California State Municipal Finance Authority Revenue,		
Kern Regional Center Project, Series A, 6.00%, 5/01/19	1,320,000	1,461,266
Kern Regional Center Project, Series A, 6.875%, 5/01/25	1,500,000	1,624,710
Loma Linda University, 5.00%, 4/01/24	1,180,000	1,216,863
South Central Los Angeles Regional Center Project, Community Impact Development,		
5.25%, 12/01/27	3,990,000	3,912,674
California State Public Works Board Lease Revenue,		
California State University Projects, Series B-1, 5.375%, 3/01/25	2,500,000	2,739,950
Department of Corrections and Rehabilitation, Refunding, Series J, 5.00%, 1/01/21	3,000,000	3,167,760
Department of Forestry and Fire Protection, Series A, 4.875%, 10/01/18	1,325,000	1,328,750
Department of General Services, Buildings 8 and 9, Series A, 5.75%, 4/01/23	4,000,000	4,529,160
Department of General Services, Buildings 8 and 9, Series A, 6.00%, 4/01/24	6,605,000	7,613,517
Trustees of the California State University, J. Paul Leonard and Sutro Library, Series J,		
5.50%, 11/01/25	4,725,000	5,302,962
Trustees of the California State University, J. Paul Leonard and Sutro Library, Series J,		
5.50%, 11/01/26	1,000,000	1,113,330
Trustees of the California State University, Series D, 5.00%, 9/01/25	2,920,000	3,205,547
Trustees of the California State University, Series D, 5.00%, 9/01/26	4,650,000	5,068,732

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
California (continued)			
California State Public Works Board Lease Revenue, (continued)			
Various Capital Projects, Series A, Sub Series A-1, 5.25%, 3/01/22	\$ 7,475,000	\$	8,337,615
Various Capital Projects, Series G, Sub Series G-1, 5.25%, 10/01/18	5,605,000	·	6,567,939
Various Capital Projects, Series G, Sub Series G-1, 5.00%, 10/01/20	6,405,000		7,281,140
Various Capital Projects, Series G, Sub Series G-1, 5.125%, 10/01/22	14,555,000		16,344,392
California State University Revenue, Systemwide,	, ,		, ,
Refunding, Series A, 5.00%, 11/01/25	10,000,000		11,148,200
Series A, 5.00%, 11/01/26	11,000,000		12,242,230
California Statewide CDA Revenue,	, ,		, , , , , ,
CHF-Irvine LLC, UCI East Campus Apartments, Phase II, 6.00%, 5/15/23	10,000,000		10,672,600
Enloe Medical Center, Series A, California Mortgage Insured, 5.50%, 8/15/23	3,000,000		3,320,460
Lodi Memorial Hospital, Series A, California Mortgage Insured, 5.00%, 12/01/22	8,000,000		8,439,920
Methodist Hospital of Southern California Project, FHA Insured, 5.50%, 8/01/18	2,905,000		3,267,021
Methodist Hospital of Southern California Project, FHA Insured, 5.50%, 2/01/19	3,035,000		3,451,979
Methodist Hospital of Southern California Project, FHA Insured, 5.50%, 8/01/19	3,075,000		3,513,956
Poway RFH Housing, Series A, California Mortgage Insured, 5.00%, 11/15/28	500,000		506,965
Redwoods Project, Refunding, California Mortgage Insured, 5.00%, 11/15/28	1,000,000		1,041,020
Sutter Health, Series A, 5.00%, 8/15/24	2,000,000		2,194,740
Sutter Health, Series A, 5.00%, 8/15/25	4,715,000		5,087,391
Sutter Health, Series A, 5.00%, 8/15/27	7,005,000		7,354,409
Temporary 40, American Baptist Homes of the West, Series B, Sub Series B-3, 2.10%,	4 000 000		
10/01/19	1,000,000		966,740
Temporary 55, American Baptist Homes of the West, Series B, Sub Series B-2, 2.40%,	1 000 000		040 510
10/01/20	1,000,000		949,510
Temporary 70, American Baptist Homes of the West, Series B, Sub Series B-1, 2.75%,	0.000.000		0.040.560
10/01/21	3,000,000		2,848,560
Viewpoint School, ACA Insured, Pre-Refunded, 4.50%, 10/01/17	460,000		474,435
Viewpoint School, ACA Insured, Pre-Refunded, 4.75%, 10/01/18	480,000		495,946
California Statewide CDA, MFHR, 740 S. Olive Street Apartments, Series L, GNMA Secured,			
4.25%, 7/20/24	3,540,000		3,437,942
Carson RDA, Tax Allocation Housing, Series A, 5.00%,			
10/01/22	1,975,000		1,991,709
10/01/23	2,135,000		2,146,956
10/01/24	2,245,000		2,247,380
10/01/25	1,700,000		1,689,443
Castaic Lake Water Agency Revenue COP, Water System Improvement Project,			
Capital Appreciation, AMBAC Insured, zero cpn., 8/01/22	10,445,000		7,445,196
Cathedral City 1915 Act Special Assessment, Limited Obligation, Cove ID No. 04-02, 5.00%,			
9/02/24	970,000		965,975
Chabot-Las Positas Community College District GO, Alameda and Contra Costa Counties,			
Refunding, 5.00%, 8/01/24	6,715,000		7,622,129
Clovis USD, GO, Capital Appreciation, Election of 2004, Series A, NATL RE, FGIC Insured,	, ,		, ,
zero cpn., 8/01/17	5,235,000		4,927,339
Clovis Wastewater Revenue, Refunding, Build America Mutual Assurance, 5.00%, 8/01/28	1,200,000		1,270,128
Clovis Water Revenue, Refunding, Build America Mutual Assurance, 5.00%,	1,200,000		1,2,0,120
3/01/26	2,620,000		2,835,731
3/01/27	1,000,000		1,071,210
Compton CRDA Tax Allocation, Redevelopment Project, second lien, Series A, 5.00%,	1,000,000		1,0/1,210
8/01/25	8,275,000		8,041,148
0/01/20	0,270,000		0,041,140

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Conejo Valley USD, GO, Election of 1998,		
Series C, AGMC Insured, zero cpn., 8/01/17	\$ 2,500,000	\$ 2,356,425
Series D, NATL RE, FGIC Insured, Pre-Refunded, 4.50%, 8/01/19	4,000,000	4,098,320
Corona-Norco USD,		
COP, Series A, AGMC Insured, 5.00%, 4/15/19	1,310,000	1,458,528
COP, Series A, AGMC Insured, 5.00%, 4/15/22	1,465,000	1,562,247
GO, Capital Appreciation, Election of 2006, Series E, zero cpn. to 7/31/21,		
5.30% thereafter, 8/01/25	4,645,000	3,374,221
PFA Special Tax Revenue, senior lien, Refunding, Series A, 5.00%, 9/01/24	1,565,000	1,653,250
PFA Special Tax Revenue, senior lien, Refunding, Series A, 5.00%, 9/01/25	1,000,000	1,049,130
Cupertino USD, GO, Santa Clara County, Refunding, 5.00%, 8/01/22	1,690,000	1,931,552
Desert Sands USD,		
COP, Financing Project, AGMC Insured, 5.00%, 3/01/19	2,090,000	2,275,007
GO, Election of 2001, 5.25%, 8/01/21	2,015,000	2,284,970
East Side UHSD Santa Clara County GO, Refunding, AGMC Insured, 5.00%,		
8/01/20	2,800,000	3,211,124
8/01/21	2,140,000	2,419,634
8/01/22	3,090,000	3,438,799
Eden Township Healthcare District COP, 5.00%, 6/01/18	1,505,000	1,609,643
Fairfax School District GO, Election of 2000, Series A, NATL RE, FGIC Insured, 5.00%,		
11/01/17	470,000	474,766
Folsom PFA Special Tax Revenue,		
CFD No. 7, Refunding, Series A, AGMC Insured, 5.00%, 9/01/23	1,005,000	1,007,472
CFD No. 7, Refunding, Series A, AGMC Insured, 5.00%, 9/01/24	1,055,000	1,054,072
Refunding, Series A, 5.00%, 9/01/19	1,000,000	1,058,910
Refunding, Series A, 5.00%, 9/01/20	1,270,000	1,335,138
Refunding, Series A, 5.00%, 9/01/21	1,335,000	1,384,582
Refunding, Series A, 5.00%, 9/01/22	1,400,000	1,436,540
Foothill/Eastern Transportation Corridor Agency Toll Road Revenue,		
Capital Appreciation, Pre-Refunded, zero cpn., 1/15/22	30,345,000	18,956,521
Capital Appreciation, Pre-Refunded, 5.875%, 1/15/26	1,765,000	1,789,657
NATL Insured, Pre-Refunded, 5.00%, 1/15/16	1,000,000	1,003,400
<sup>a</sup> Refunding, Series A, AGM Insured, zero cpn. to 1/14/24, 5.30% thereafter, 1/15/29	15,000,000	8,828,700
<sup>a</sup> Refunding, Series A, zero cpn. to 1/14/24, 5.70% thereafter, 1/15/25	2,500,000	1,424,650
<sup>a</sup> Refunding, Series A, zero cpn. to 1/15/24, 5.80% thereafter, 1/15/26	3,760,000	2,122,106
<sup>a</sup> Refunding, Series A, zero cpn. to 1/15/24, 5.90% thereafter, 1/15/27	6,395,000	3,574,549
Fullerthon School District Financing Authority Special Tax Revenue, senior lien, Refunding,		
Series A, AGMC Insured, 5.00%,	1 000 000	1 005 570
9/01/27	1,000,000	1,035,570
9/01/28	1,040,000	1,065,553
Imperial Community College District GO, Refunding, AGMC Insured, 5.00%,	1 010 000	1 142 000
8/01/21	1,010,000	1,143,068
8/01/22	1,170,000	1,320,310
8/01/23	1,350,000	1,501,011
Irvine 1915 Act Special Assessment, Limited Obligation, Reassessment District No. 11-1,	500 000	51E 260
5.00%, 9/02/26	500,000	515,260
Irvine USD Financing Authority Special Tax, Series A, 4.70%, 9/01/15	1,040,000	1,068,600
4.70%, 9/01/15 4.80%, 9/01/17	1,325,000	1,361,782
1.5575, 5701/17	1,525,000	1,001,702

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Irvine USD Financing Authority Special Tax, Series A, (continued)		
4.875%, 9/01/18	\$ 1,490,000	\$ 1,528,844
5.00%, 9/01/20	1,095,000	1,115,608
Jurupa PFA Special Tax Revenue, Series A, AGMC Insured, 5.00%,		
9/01/30	2,750,000	2,783,440
9/01/33	5,000,000	5,011,050
Lancaster RDA Tax Allocation, Combined Redevelopment Project Areas, 6.00%, 8/01/24	1,300,000	1,362,465
Lee Lake PFAR, Special Tax, junior lien, Refunding, Series B,		
5.00%, 9/01/27	1,795,000	1,743,017
5.25%, 9/01/29	1,035,000	1,011,185
Loma Linda Hospital Revenue, Loma Linda University Medical Center, Series A, 5.00%,		
12/01/19	5,000,000	5,076,800
Long Beach Bond Finance Authority Natural Gas Purchase Revenue, Series A, 5.00%,		
11/15/17	3,950,000	4,336,902
Los Angeles Convention and Exhibition Center Authority Lease Revenue, Refunding, Series A,		
5.00%, 8/15/20	20,000,000	22,172,400
Los Angeles County MTA Sales Tax Revenue, Proposition C,		
Refunding, Series B, 5.00%, 7/01/23	5,000,000	5,817,500
Senior, Refunding, Series A, 5.25%, 7/01/23	15,000,000	17,290,800
Los Angeles County Sanitation Districts Financing Authority Revenue, Capital Projects,	0.750.000	2 100 000
Refunding, Series A, 5.00%, 10/01/22	2,750,000	3,190,908
Los Angeles Department of Water and Power Revenue, Power System, Refunding, Series A,	E 12E 000	E 0/12 071
5.00%, 7/01/25	5,135,000	5,843,271
Los Angeles GO, Judgement Obligation, Series A, 5.00%, 6/01/18	5,650,000	6,419,586
COP, 5.00%, 12/01/20	3,830,000	4,378,686
GO, Election of 2004, Series F, FGIC Insured, 5.00%, 7/01/21	5,975,000	6,573,217
GO, Refunding, Series A-1, 5.00%, 7/01/23	13,335,000	15,693,028
GO, Refunding, Series A-1, FGIC Insured, 5.00%, 7/01/25	6,265,000	6,534,708
GO, Refunding, Series A-2, 5.00%, 7/01/21	5,000,000	5,898,100
GO, Refunding, Series A-2, FGIC Insured, 5.00%, 7/01/22	5,000,000	5,091,150
GO, Series D, 5.00%, 7/01/27	3,410,000	3,740,429
GO, Series I, 5.00%, 7/01/18	5,000,000	5,840,850
Los Angeles Wastewater System Revenue, Subordinate, Refunding,	-,,	2,2 :2,222
Series A, 5.00%, 6/01/27	9,145,000	10,173,721
Series B, 5.00%, 6/01/28	11,700,000	12,897,144
Manteca USD Special Tax, CFD No. 1989-2, Series B, AGMC Insured, 5.00%,	, ,	, ,
9/01/22	1,000,000	1,093,140
9/01/26	1,280,000	1,330,611
Marina Joint Powers Financing Authority MFHR, Abrams B Apartments Financing, Mandatory		
Put 11/15/16, FNMA Insured,		
3.90%, 11/15/36	3,440,000	3,581,831
3.95%, 11/15/36	1,280,000	1,334,822
Martinez USD, GO, Election of 2010, Capital Appreciation, zero cpn. to 8/01/14,		
5.375% thereafter, 8/01/26	5,000,000	5,196,050
Metropolitan Water District of Southern California Waterworks Revenue, Refunding, Series C,		
5.00%, 10/01/26	8,010,000	9,008,286

Municipal Bonds (continued)   California (continued)   Mortebello USD, GD, Capital Appreciation, NATL RE, FGIC Insured, zero cpn., 801718   1,455,000   1,201,671   801719   1,480,000   1,201,671   801719   1,480,000   1,201,671   801719   1,480,000   1,201,671   801719   1,480,000   1,201,671   801719   1,200,000   2,004,870	Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Montebello USD, GO, Capital Appreciation, NATL RE, FGIC Insured, zero cpn., 801/18   \$1,455,000   \$1,249,714   \$801/19   \$0.0019   \$1,240,714   \$801/19   \$1,450,000   \$1,240,1671   \$1,450,000   \$1,240,1671   \$1,450,000   \$1,240,1671   \$1,450,000   \$1,240,1671   \$1,450,000   \$1,466,700   \$1,466,700   \$1,460,700   \$	Municipal Bonds (continued)		
801/18	•		
Moreno Valley USD, GO,   Capital Appreciation, Refunding, NATL Insured, zero cpn., 801/24   7,500,000   4,466,700   Election of 2004, Series A, AGMC Insured, Pre-Refunded, 5,00%, 8/01/17   2,000,000   2,054,840   Election of 2004, Series A, AGMC Insured, Pre-Refunded, 5,00%, 8/01/18   2,300,000   2,363,066   Mount Diablo USD, GO, Contra Costa County, Election of 2002, Refunding, Series B-2, 5,00%, 7/01/27   3,200,000   3,483,808   Mount San Antonio Community College District GO, Los Angeles County, Election of 2008, Series A, zero cpn. to 8/1/23, 58.75% thereafter, 8/01/28   6,000,000   3,983,880   Murrieta PFA Special Tax Revenue, Refunding, 5.00%, 9/01/29   1,495,000   1,317,353   9/01/22   1,495,000   1,612,432   9/01/29   1,495,000   1,612,432   9/01/29   1,495,000   1,612,432   9/01/29   1,000,000   1,042,000   1,04	Montebello USD, GO, Capital Appreciation, NATL RE, FGIC Insured, zero cpn.,		
Moreno Valley USD, GO	8/01/18	\$ 1,455,000	\$ 1,249,714
Capital Appreciation, Refunding, NATL Insured, zero cpn, R/01/24	8/01/19	1,480,000	1,201,671
Election of 2004, Series A, AGMC Insured, Pre-Refunded, 5,00%, 8/01/18   2,300,000   2,054,840			
Election of 2004, Series A, AGMC Insured, Pre-Refunded, 5,00%, 8/01/18	Capital Appreciation, Refunding, NATL Insured, zero cpn., 8/01/24	7,500,000	4,466,700
Mount Diablo USD, GO, Contra Costa County, Election of 2002, Refunding, Series B-2   5.00%, 7/01/27   3,200,000   3,483,808   Mount San Antonio Community College District GO, Los Angeles County, Election of 2008, Series A, zero cpn. to 8/1/23, 5.875% thereafter, 8/01/28   6,000,000   3,983,880     Murritea PFA Special Tax Revenue, Refunding, 5.00%,   1,225,000   1,317,353     9/01/20   1,495,000   1,612,432     9/01/24   1,810,000   1,911,360     9/01/25   1,000,000   1,042,000     New Haven USD, GO, Capital Appreciation, Refunding, AGMC Insured, zero cpn.   11,750,000   8,379,630     8/01/23   3,200,000   2,155,168     Northern California Power Agency Revenue, Geothermal Project No. 3, Series A, 5.00%, 7/01/23   2,000,000   2,216,260     5,25%, 7/01/24   2,000,000   2,211,140     Oakland USD Alameda County GO, Election of 2006, Series A, 6.50%, 8/01/23   2,200,000   2,490,048     Orange County CFD No. 2002-1 Special Tax, Ladera Ranch, Series A, 4.60%, 8/15/15   1,000,000   1,001,740     4,79%, 8/15/15   1,000,000   1,001,740     4,99%, 8/15/17   1,000,000   1,001,500     5,10%, 8/15/18   1,000,000   1,001,500     5,10%, 8/15/19   1,945,000   1,947,879     4,80%, 8/			
S.00%, 7/01/27   S.20%, 3,483,808		2,300,000	2,363,066
Mount San Antonio Community College District GO, Los Angeles County, Election of 2008, Series A, zero cpn. to 8/1/23, 5.875% thereafter, 8/01/28   1,225,000   3,383,880   Murrieta PFA Special Tax Revnue, Refunding, 5.00%, 9/01/20   1,495,000   1,512,432   9/01/20   1,495,000   1,512,432   9/01/24   1,810,000   1,911,360   9/01/25   1,000,000   1,001,2000   1,001/25   1,000,000   1,002,000   New Hawen USD, GO, Capital Appreciation, Refunding, AGMC Insured, zero cpn., 8/01/23   3,200,000   2,155,168   Northern California Power Agency Revenue, Geothermal Project No. 3, Series A, 5.00%, 7/01/23   2,000,000   2,205,260   5,25%, 7/01/24   2,000,000   2,211,140   2,000,000			
Series A, zero Cpn. to 8/1/23, 5.875% thereafter, 8/01/28		3,200,000	3,483,808
Murrieta PFA Special Tax Revenue, Refunding, 5.00%, 9/01/20		5 000 000	0.000.000
9/01/20		6,000,000	3,983,880
9/01/22		1 005 000	1 217 252
9/01/24			
New Haven USD, GO, Capital Appreciation, Refunding, AGMC Insured, zero cpn   8/01/22   11,750,000   8,379,630   8/01/23   3,200,000   2,155,168     Northern California Power Agency Revenue, Geothermal Project No. 3, Series A,			
New Haven USD, GO, Capital Appreciation, Refunding, AGMC Insured, zero cpn., 8/01/22   11,750,000   2,155,168   8/01/23   3,200,000   2,155,168   8/01/23   3,200,000   2,155,168   8/01/23   3,200,000   2,206,260   5,25%, 7/01/24   2,000,000   2,211,140   0		, ,	
8/01/23 3,200,000 2,155,168 Northern California Power Agency Revenue, Geothermal Project No. 3, Series A, 5.00%, 7/01/23 2,000,000 2,206,260 5.25%, 7/01/24 2,000,000 2,211,140 Oakland USD Alameda County GO, Election of 2006, Series A, 6.50%, 8/01/23 2,000,000 2,490,048 Orange County CFD No. 2002-1 Special Tax, Ladera Ranch, Series A, 4.60%, 8/15/14 1,000,000 1,001,740 4.90%, 8/15/15 1,000,000 1,001,740 4.90%, 8/15/16 1,000,000 1,001,740 4.90%, 8/15/17 1,000,000 1,001,500 5.10%, 8/15/18 1,000,000 1,001,500 5.10%, 8/15/18 1,000,000 1,001,500 6.10%, 8/15/18 1,765,000 1,001,500 6.10%, 8/15/19 1,945,000 1,947,879 4.85%, 8/15/20 2,000,000 2,002,660 Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26 1,045,000 1,045,000 Oxnard Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23 7,690,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,047,140 9/02/29 1,000,000 1,048,263 1/01/23 1,000,000 1,042,263 1/01/23 1,000,000 1,042,263 1/01/24 1,000,000 1,048,211 1/01/25 1,000,000 1,048,211 1/01/26 1,000,000 1,049,491 Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/27 1,270,000 1,290,891 5.625%, 9/01/27 1,270,000 1,291,298 5.625%, 9/01/27 1,270,000 1,392,353		1,000,000	1,042,000
Northern California Power Agency Revenue, Geothermal Project No. 3, Series A, 5.00%, 7/01/23 2,000,000 2,211,140     5.25%, 7/01/24 2,000,000 2,211,140     California Power Agency Revenue, Geothermal Project No. 3, Series A, 2,000,000 2,211,140     California Power Agency Revenue, Geothermal Project No. 3, Series A, 2,000,000 2,490,048     California Power Agency Revenue, Geothermal Project No. 50%, 8/01/23 2,200,000 2,490,048     California Power Agency Revenue, Geothermal Project No. 2002-1 Special Tax, Ladera Ranch, Series A, 4.60%, 8/15/16 1,000,000 1,001,700     A.75%, 8/15/16 1,000,000 1,287,056	8/01/22	11,750,000	8,379,630
5.00%, 7/01/23       2,000,000       2,206,260         5.25%, 7/01/24       2,000,000       2,211,140         Oakland USD Alameda County GO, Election of 2006, Series A, 6.50%, 8/01/23       2,200,000       2,490,048         Orange County CFD No. 2002-1 Special Tax, Ladera Ranch, Series A,       1,000,000       1,001,800         4.60%, 8/15/14       1,000,000       1,001,740         4.90%, 8/15/15       1,285,000       1,287,056         Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A,       4,90%, 8/15/17       1,000,000       1,001,500         5.10%, 8/15/18       1,000,000       1,001,520         Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.80%, 8/15/18       1,765,000       1,767,524         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       800 Refinancings, Refunding, Series A, 5.00%, 9/02/26       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/29       1,000,000       1,047,140	8/01/23	3,200,000	2,155,168
5.25%, 7/01/24       2,000,000       2,211,140         Oakland USD Alameda County GO, Election of 2006, Series A, 6.50%, 8/01/23       2,200,000       2,490,048         Orange County CFD No. 2002-1 Special Tax, Ladera Ranch, Series A,       1,000,000       1,001,800         4.50%, 8/15/15       1,000,000       1,001,740         4.90%, 8/15/16       1,285,000       1,287,056         Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A,       1,000,000       1,001,500         5.10%, 8/15/18       1,000,000       1,001,500         5.10%, 8/15/18       1,000,000       1,001,500         Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.80%, 8/15/19       1,945,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended,       Series A, MTL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation,       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654 <td>Northern California Power Agency Revenue, Geothermal Project No. 3, Series A,</td> <td></td> <td></td>	Northern California Power Agency Revenue, Geothermal Project No. 3, Series A,		
Oakland USD Alameda County GO, Election of 2006, Series A, 6.50%, 8/01/23 2,200,000 2,490,048 Orange County CFD No. 2002-1 Special Tax, Ladera Ranch, Series A,  4.60%, 8/15/14 1,000,000 1,001,740 4.90%, 8/15/15 1,000,000 1,287,056 Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A,  4.90%, 8/15/17 1,000,000 1,001,500 5.10%, 8/15/18 1,000,000 1,001,500 5.10%, 8/15/18 1,000,000 1,001,520 Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,  4.70%, 8/15/18 1,000,000 1,767,524 4.80%, 8/15/19 1,945,000 1,947,879 4.85%, 8/15/20 2,000,000 2,002,660 Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26 1,045,000 7,827,728 Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23 7,690,000 7,827,728 Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28 1,000,000 1,047,140 9/02/29 1,280,000 1,335,654 Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22 1,015,000 1,042,263 1/01/23 1,005,000 1,088,121 1/01/24 1,007,000 1,090,491 Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25 1,005,000 1,220,25 5.55%, 9/01/29 1,375,000 1,392,353	5.00%, 7/01/23	2,000,000	2,206,260
Orange County CFD No. 2002-1 Special Tax, Ladera Ranch, Series A, 4.60%, 8/15/14 1,000,000 1,001,800 4.75%, 8/15/15 1,000,000 1,001,740 4.90%, 8/15/16 1,285,000 1,287,056  Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A, 4.90%, 8/15/17 1,000,000 1,001,500 5.10%, 8/15/18 1,000,000 1,001,500 5.10%, 8/15/18 1,000,000 1,001,520  Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A, 4.70%, 8/15/18 1,765,000 1,767,524 4.80%, 8/15/19 1,945,000 1,947,879 4.85%, 8/15/20 2,000,000 2,002,660  Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26 1,045,000 1,045,000 1,100,437  Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23 7,690,000 7,827,728  Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28 1,000,000 1,047,140 9/02/29 1,280,000 1,335,654  Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22 1,105,000 1,042,263 1/01/23 1,065,000 1,088,121 1/01/24 1,070,000 1,090,491  Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25 1,000, 9/01/27 1,270,000 1,291,298 5.625%, 9/01/29 1,3375,000 1,392,353	5.25%, 7/01/24	2,000,000	2,211,140
4.60%, 8/15/14 1,000,000 1,001,800 4.75%, 8/15/15 1,000,000 1,001,740 4.90%, 8/15/16 1,000,000 1,001,740 4.90%, 8/15/16 1,285,000 1,287,056  Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A, 4.90%, 8/15/17 1,000,000 1,001,500 5.10%, 8/15/18 1,000,000 1,001,520  Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A, 4.70%, 8/15/18 1,765,000 1,767,524 4.80%, 8/15/19 1,945,000 1,947,879 4.85%, 8/15/20 2,000,000 2,002,660  Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26 1,045,000 1,045,000 1,100,437  Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23 7,690,000 7,827,728  Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28 1,000,000 1,047,140 9/02/29 1,280,000 1,335,654  Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22 1,105,000 1,042,263 1/01/23 1,065,000 1,042,263 1/01/24 1,070,000 1,090,491  Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25 1,000,001,291,298 5.625%, 9/01/29 1,375,000 1,392,353		2,200,000	2,490,048
4.75%, 8/15/15       1,000,000       1,001,740         4.90%, 8/15/16       1,285,000       1,287,056         Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A,       1,000,000       1,001,500         5.10%, 8/15/18       1,000,000       1,001,520         Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.80%, 8/15/18       1,945,000       1,947,879         4.80%, 8/15/19       1,945,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended,       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation,       University Avenue Area Off-Street Parking AD, 5.00%,       1,000,000       1,047,140         9/02/29       1,000,000       1,047,140       9/02/29       1,015,000       1,042,263         1/01/22       1,015,000       1,042,263       1,015,000       1,042,263         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,       5,25			
4.90%, 8/15/16       1,285,000       1,287,056         Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A,       1,000,000       1,001,500         5.10%, 8/15/18       1,000,000       1,001,520         Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.80%, 8/15/18       1,765,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       3,000,000       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended,       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation,       1,000,000       1,047,140         9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%,       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,       5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298 <td< td=""><td></td><td></td><td></td></td<>			
Orange County CFD No. 2003-1 Special Tax, Ladera Ranch, Series A,       1,000,000       1,001,500         5.10%, 8/15/18       1,000,000       1,001,520         Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.80%, 8/15/18       1,765,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       3,000,000       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 			
4.90%, 8/15/17       1,000,000       1,001,500         5.10%, 8/15/18       1,000,000       1,001,520         Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.80%, 8/15/19       1,945,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       3,000,000       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/23       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,221,298         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	·	1,285,000	1,287,056
5.10%, 8/15/18       1,000,000       1,001,520         Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.70%, 8/15/18       1,945,000       1,947,879         4.80%, 8/15/19       1,945,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/20       1,015,000       1,042,263         1/01/24       1,007,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,335,333		1 000 000	1 001 500
Orange County CFD No. 2004-1 Special Tax, Ladera Ranch, Series A,       1,765,000       1,767,524         4.70%, 8/15/18       1,945,000       1,947,879         4.80%, 8/15/19       1,945,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,335,300       1,339,353	•		
4.70%, 8/15/18       1,765,000       1,767,524         4.80%, 8/15/19       1,945,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22       1,015,000       1,042,263         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/29       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353		1,000,000	1,001,520
4.80%, 8/15/19       1,945,000       1,947,879         4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22       1,015,000       1,042,263         1/01/24       1,070,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353		1 765 000	1 767 524
4.85%, 8/15/20       2,000,000       2,002,660         Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22       1,015,000       1,042,263         1/01/24       1,070,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	•		
Oxnard Financing Authority Local Obligation Special Assessment, senior lien, Special District       1,045,000       1,100,437         Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/23       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	•		
Bond Refinancings, Refunding, Series A, 5.00%, 9/02/26       1,045,000       1,100,437         Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23       7,690,000       7,827,728         Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28       1,000,000       1,047,140         9/02/28       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22       1,015,000       1,042,263         1/01/22       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	•	2,000,000	2,002,000
Palm Desert Financing Authority Tax Allocation Revenue, Project Area No. 1, As Amended, Series A, NATL Insured, 5.00%, 4/01/23 7,690,000 7,827,728  Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/28 1,000,000 1,047,140 9/02/29 1,280,000 1,335,654  Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/22 1,015,000 1,042,263 1/01/23 1,065,000 1,088,121 1/01/24 1,070,000 1,090,491  Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/25 1,005,000 1,022,025 5.50%, 9/01/27 1,270,000 1,291,298 5.625%, 9/01/29 1,375,000 1,392,353		1.045.000	1.100.437
Series A, NATL Insured, 5.00%, 4/01/237,690,0007,827,728Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation, University Avenue Area Off-Street Parking AD, 5.00%, 9/02/281,000,0001,047,1409/02/291,280,0001,335,654Palo Verde Community College District COP, AMBAC Insured, 5.00%, 1/01/231,015,0001,042,2631/01/241,065,0001,088,1211/01/241,070,0001,090,491Perris UHSD Financing Authority Special Tax, 5.25%, 9/01/251,005,0001,022,0255.50%, 9/01/271,270,0001,291,2985.625%, 9/01/291,375,0001,392,353		1,010,000	1,100,107
Palo Alto 1915 Act Special Assessment, Refunding and Improvement, Limited Obligation,         University Avenue Area Off-Street Parking AD, 5.00%,       1,000,000       1,047,140         9/02/28       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%,       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,       1,005,000       1,022,025         5.50%, 9/01/25       1,005,000       1,221,298         5.625%, 9/01/29       1,375,000       1,392,353		7.690.000	7.827.728
University Avenue Area Off-Street Parking AD, 5.00%,       1,000,000       1,047,140         9/02/28       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%,       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,       1,005,000       1,022,025         5.50%, 9/01/25       1,005,000       1,22,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353		, ,	, ,
9/02/29       1,280,000       1,335,654         Palo Verde Community College District COP, AMBAC Insured, 5.00%,       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,       1,005,000       1,022,025         5.50%, 9/01/25       1,005,000       1,221,298         5.625%, 9/01/29       1,375,000       1,392,353			
Palo Verde Community College District COP, AMBAC Insured, 5.00%,         1/01/22       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,         5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	9/02/28	1,000,000	1,047,140
1/01/22       1,015,000       1,042,263         1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,         5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	9/02/29	1,280,000	1,335,654
1/01/23       1,065,000       1,088,121         1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,         5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	Palo Verde Community College District COP, AMBAC Insured, 5.00%,		
1/01/24       1,070,000       1,090,491         Perris UHSD Financing Authority Special Tax,         5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	1/01/22	1,015,000	1,042,263
Perris UHSD Financing Authority Special Tax,       1,005,000       1,022,025         5.25%, 9/01/25       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	1/01/23	1,065,000	1,088,121
5.25%, 9/01/25       1,005,000       1,022,025         5.50%, 9/01/27       1,270,000       1,291,298         5.625%, 9/01/29       1,375,000       1,392,353	1/01/24	1,070,000	1,090,491
5.50%, 9/01/271,270,0001,291,2985.625%, 9/01/291,375,0001,392,353			
5.625%, 9/01/29			
8   Semiannual Report		1,375,000	1,392,353
	8   Semiannual Report		

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Pomona RDA Tax Allocation, Mountain Meadows Redevelopment Project, Refunding, Series X,		
5.35%, 12/01/16	\$ 1,000,000	\$ 1,050,890
Rancho Mirage Joint Powers Financing Authority Revenue, Eisenhower Medical Center,		
Series A, 5.00%,		
7/01/16	1,420,000	1,519,244
7/01/21	1,695,000	1,747,409
Redlands USD, GO, Election of 2002, AGMC Insured, 5.00%, 7/01/19	1,000,000	1,002,210
Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding,		
Assured Guaranty, 5.00%,		
8/01/19	2,010,000	2,189,975
8/01/20	2,315,000	2,450,821
8/01/21	2,050,000	2,138,909
Riverside County COP, Capital Improvement, Family Law, Refunding, Series A, NATL RE,		
FGIC Insured, 5.00%, 11/01/18	1,540,000	1,626,640
Riverside County RDA Tax Allocation,		
Desert Communities Redevelopment Project Area, second lien, Series D, 6.50%,	1 045 000	1 100 040
12/01/21 Describe Described Arms as a sound live Conice D. 6.75%	1,045,000	1,129,948
Desert Communities Redevelopment Project Area, second lien, Series D, 6.75%,	1 005 000	1 100 400
12/01/26	1,025,000	1,103,433
Jurupa Valley Redevelopment Project Area, Series B, 6.50%, 10/01/25	1,225,000	1,304,392
Riverside County Transportation Commission Sales Tax Revenue, Limited Tax, Refunding,		
Series A, 5.25%, 6/01/25	3,500,000	4,087,825
6/01/27	4,000,000	4,570,400
Sacramento City Financing Authority Special Tax Revenue, Westlake and Regency Park,	4,000,000	4,370,400
Refunding, Series A, AGMC Insured, 5.00%, 9/01/21	1,305,000	1,428,035
Sacramento County COP, Refunding,	1,505,000	1,420,000
5.375%, 2/01/23	3,400,000	3,587,748
5.50%, 2/01/25	3,770,000	3,988,660
Sacramento County Special Tax, CFD No. 1, Improvement Area No. 1, Laguna Creek	2,112,222	-,,
Ranch/Elliott Ranch, Refunding, 5.00%, 9/01/20	1,510,000	1,600,072
Sacramento MUD Electric Revenue, Refunding, Series X, 5.00%, 8/15/25	10,000,000	11,043,200
San Bernardino County COP, Arrowhead Project, Refunding, Series A, 5.25%, 8/01/26	15,000,000	15,683,550
San Diego Public Facilities Financing Authority Lease Revenue, Master Refunding Project,		
Series A, 5.00%, 9/01/26	8,000,000	8,472,400
San Diego RDA Tax Allocation Revenue, Naval Training Center, Series A, 5.00%, 9/01/25	1,000,000	1,003,860
San Francisco BART District GO, Election of 2004, Series C, 5.00%,		
8/01/27	2,640,000	2,998,934
8/01/28	3,500,000	3,933,125
San Francisco City and County Airport Commission International Airport Revenue,		
Issue 34D, Refunding, Second Series, 5.25%, 5/01/26	5,425,000	5,881,459
Refunding, Second Series G, 5.00%, 5/01/23	4,970,000	5,570,078
San Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.00%,		
4/01/24	8,400,000	9,191,028
San Francisco City and County GO, Clean and Safe Neighborhood Parks, Series B, 4.75%,		
6/15/19	2,610,000	3,035,952
San Francisco City and County RDA Hotel Occupancy Revenue, Refunding, AGMC Insured,	10.075.000	10.006.006
5.00%, 6/01/24	10,275,000	10,806,320

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
California (continued)			
San Francisco City and County Redevelopment Financing Authority Tax Allocation,			
Mission Bay North Redevelopment, Series C, 5.875%, 8/01/25	\$ 1,000,000	\$	1,095,360
Mission Bay South Redevelopment, Series D, 5.50%, 8/01/19	1,030,000	•	1,153,075
Mission Bay South Redevelopment, Series D, 6.25%, 8/01/21	1,000,000		1,138,580
Mission Bay South Redevelopment, Series D, 6.25%, 8/01/23	1,000,000		1,121,370
Mission Bay South Redevelopment, Series D, 6.00%, 8/01/25	1,465,000		1,594,696
Mission Bay South Redevelopment, Series D, 6.125%, 8/01/26	1,550,000		1,676,775
San Francisco Redevelopment Projects, Series B, 6.125%, 8/01/26	1,000,000		1,108,920
San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Capital Appreciation,	1,000,000		1,100,320
Refunding, Series A,			
5.60%, 1/15/16	3,000,000		3,063,810
NATL Insured, zero cpn., 1/15/26	19,000,000		9,181,750
San Jose RDA Tax Allocation, Merged Area Redevelopment Project,	13,000,000		3,101,730
Refunding, Series D, AMBAC Insured, 5.00%, 8/01/23	13,000,000		13,280,540
Series B, XLCA Insured, 5.00%, 8/01/26	8,000,000		7,810,160
	8,000,000		7,010,100
San Luis and Delta-Mendota Water Authority Revenue, DHCCP Development Project,	1,000,000		1,057,100
Refunding, Series A, 5.00%, 3/01/29	1,000,000		1,037,100
8/01/19	1 225 000		1 407 515
	1,325,000		1,427,515
8/01/20	1,510,000		1,619,354
Santa Ana Community RDA Tax Allocation, Merged Project Area, Refunding, Series A, 6.00%,	F 000 000		F 600 000
9/01/22	5,000,000		5,609,800
Santa Ana USD, GO,	2 105 000		2 105 062
Election of 1999, Series B, NATL RE, FGIC Insured, zero cpn., 8/01/14	3,125,000		3,105,063
Election of 2008, Series A, 5.25%, 8/01/25	2,000,000		2,200,080
Santa Margarita Water District Special Tax, CFD No. 99-1, Refunding, Series A,	1 000 000		1 000 740
5.00%, 9/01/25	1,000,000		1,030,740
5.00%, 9/01/26	1,000,000		1,030,630
5.00%, 9/01/27	1,000,000		1,022,260
5.125%, 9/01/28	1,060,000		1,077,702
5.25%, 9/01/29	1,000,000		1,011,480
Sonoma-Marin Area Rail Transit District Measure Q Sales Tax Revenue, Series A, 5.00%,			4-0-000
3/01/25	13,410,000		15,078,338
3/01/27	11,945,000		13,055,168
South Bayside Waste Management Authority Solid Waste Enterprise Revenue, Shoreway			
Environmental Center, Series A, 5.25%, 9/01/24	3,500,000		3,576,930
South Gate PFA Tax Allocation Revenue, South Gate Redevelopment Project No. 1,			
XLCA Insured, 5.00%, 9/01/16	735,000		746,422
Southern California Public Power Authority Gas Project Revenue, Project No. 1, Series A,			
5.25%, 11/01/19	2,500,000		2,758,875
Southern California Public Power Authority Revenue, Canyon Power Project, Refunding,			
Series A, 5.00%, 7/01/19	1,500,000		1,765,110
Tulare County Board of Education COP, Capital Improvement Projects, Build America Mutual			
Assurance, 5.00%, 5/01/28	1,040,000		1,057,753
Tuolumne Wind Project Authority Revenue, Tuolumne Co. Project, Series A, 5.25%,			
1/01/24	5,000,000		5,551,600
Tustin CRDA Tax Allocation, Housing, AGMC Insured, 5.00%,			
9/01/24	1,000,000		1,032,480
9/01/25	1,000,000		1,028,990

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
California (continued)			
University of California Revenues, General,			
Refunding, Series S, 5.00%, 5/15/19	\$ 8,145,000	\$	9,415,783
Series U, 5.00%, 5/15/19	4,060,000		4,795,794
Washington Township Health Care District Revenue, Series A, 5.00%, 7/01/25	3,035,000		3,112,666
West Kern Community College District COP, AMBAC Insured,			
5.00%, 11/01/20	1,015,000		1,050,484
5.00%, 11/01/21	1,065,000		1,076,736
5.00%, 11/01/22	1,115,000		1,118,713
5.125%, 11/01/23	1,170,000		1,173,136
5.125%, 11/01/24	1,230,000		1,229,397
Whittier UHSD, GO, Capital Appreciation, Refunding, zero cpn.,			
8/01/24	7,755,000		4,696,040
8/01/26	10,045,000		5,344,141
Yorba Linda RDA Tax Allocation, sub. lien, Redevelopment Project, Series A, 6.00%,			
9/01/26	1,435,000		1,597,499
Yucaipa Valley Water District Water System Revenue COP, Series A, NATL Insured,			
5.00%, 9/01/15	1,080,000		1,102,583
5.25%, 9/01/20	1,325,000		1,338,913
		1.0	90,280,348
			30,200,340
U.S. Territories 4.3%			
Guam 0.6%			
Guam Government Limited Obligation Revenue, Section 30, Series A, 5.25%, 12/01/17 Guam Power Authority Revenue, Refunding, Series A, AGMC Insured, 5.00%,	2,305,000		2,466,511
10/01/21	2,000,000		2,234,720
10/01/22	2,000,000		2,211,340
10/01/22	2,000,000		
			6,912,571
Puerto Rico 3.7%			
Puerto Rico Commonwealth GO, Public Improvement, AGMC Insured, 5.25%, 7/01/16	2,500,000		2,543,775
Puerto Rico Electric Power Authority Power Revenue,			
Refunding, Series UU, AGMC Insured, 5.00%, 7/01/23	5,000,000		4,683,500
Series RR, NATL RE, FGIC Insured, 5.00%, 7/01/21	5,000,000		4,449,000
Series WW, 5.375%, 7/01/23	5,000,000		3,653,200
Puerto Rico Infrastructure Financing Authority Revenue, Ports Authority Project, Series B,			
5.25%, 12/15/26	5,000,000		3,435,800
Puerto Rico PBA Guaranteed Revenue, Government Facilities, Refunding, Series M-3,			
NATL Insured, 6.00%, 7/01/23	11,645,000		10,916,023
Puerto Rico Public Finance Corp. Revenue, Commonwealth Appropriation, Refunding,			
Series B, 6.00%, 8/01/24	8,000,000		6,077,840
Puerto Rico Sales Tax FICO Sales Tax Revenue, first subordinate, Series A, 5.00%,			
8/01/24	10,000,000		8,649,900
			44,409,038
Total U.S. Territories			51,321,609
Total Municipal Bonds before Short Term Investments			
(Cost \$1,111,182,797)		1,1	41,601,957

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

Franklin California Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Short Term Investments 2.4%		
Municipal Bonds 2.4%		
California 2.4%		
<sup>b</sup> California PCFA, PCR, Pacific Gas and Electric Co., Refunding, Series C, Daily VRDN and Put,		
0.02%, 11/01/26	\$ 1,950,000	\$ 1,950,000
<sup>b</sup> California State GO,		
Series A, Sub Series A-2, Daily VRDN and Put, 0.02%, 5/01/33	7,600,000	7,600,000
Series A-1, Daily VRDN and Put, 0.01%, 5/01/33	13,400,000	13,400,000
<sup>b</sup> Metropolitan Water District of Southern California Water Revenue, Refunding, Series B-3,		
Daily VRDN and Put, 0.01%, 7/01/35	6,000,000	6,000,000
Total Short Term Investments (Cost \$28,950,000)		28,950,000
Total Investments (Cost \$1,140,132,797) 97.8%		1,170,551,957
Other Assets, less Liabilities 2.2%		26,921,249
Net Assets 100.0%		\$1,197,473,206

See Abbreviations on page 72.

<sup>&</sup>lt;sup>a</sup>All of the securities purchased on a when-issued 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.

## **Financial Highlights**

## Franklin California Tax-Exempt Money Fund

	Six Months End December 31, 20		Y	ear Ended Jui	ne 30,	
Class A	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income from investment operations:						
Net investment income (loss)	_	_	_	_	()a	0.006
Net realized and unrealized gains (losses)		(—) <sup>a</sup>	_	_	_	
Total from investment operations		()a	_	_	(—)a	0.006
Less distributions from net investment income		_		_	_	(0.006)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return <sup>b</sup>	—%	—%	—%	—%	—%	0.57%
Ratios to average net assets						
Expenses before waiver and payments by affiliates	0.53%	0.53%	0.54%	0.54%	0.54%	0.57%
Expenses net of waiver and payments by affiliates	0.05%	0.12%	0.12%	0.23%	0.24%	0.46%
Net investment income (loss)	—%	—%	—%	—%	(—)% <sup>d</sup>	0.61%
Supplemental data						
Net assets, end of period (000's)	\$670,124	\$628,480	\$564,477	\$563,474	\$630,453	\$570,026

<sup>&</sup>lt;sup>a</sup>Amount rounds to less than \$0.001 per share.

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

cRatios are annualized for periods less than one year.

dRounds to less than 0.01%.

Franklin California Tax-Exempt Money Fund	Principal Amount	Value
Municipal Bonds 97.4%		
California 97.4%		
<sup>a</sup> California Educational Facilities Authority Revenue,		
Stanford University, Refunding, Series L-2, Weekly VRDN and Put, 0.03%, 10/01/14	\$ 5,800,000	\$ 5,800,000
Stanford University, Refunding, Series L-3, Weekly VRDN and Put, 0.03%, 10/01/15	7,490,000	7,490,000
Stanford University, Refunding, Series L-5, Weekly VRDN and Put, 0.03%, 10/01/17	7,000,000	7,000,000
Various, California Institute of Technology, Refunding, Series A, Weekly VRDN and Put,		
0.03%, 10/01/36	1,100,000	1,100,000
Various, California Institute of Technology, Series B, Weekly VRDN and Put, 0.05%,		
10/01/36	21,850,000	21,850,000
Various, Stanford University, Refunding, Series L, Weekly VRDN and Put, 0.03%,		
10/01/22	3,300,000	3,300,000
<sup>a</sup> California Health Facilities Financing Authority Revenue, Sisters Charity Health System,	10 000 000	10 000 000
Refunding, Weekly VRDN and Put, 0.04%, 12/01/17	12,200,000	12,200,000
<sup>a</sup> California HFAR, MFH III, Refunding, Series F, Weekly VRDN and Put, 0.03%, 2/01/32	6,125,000	6,125,000
<sup>a</sup> California Infrastructure and Economic Development Bank Revenue,	4 500 000	4 500 000
American National Red Cross, Refunding, Weekly VRDN and Put, 0.03%, 9/01/34	4,500,000	4,500,000
Los Angeles Special Project, Series A, Weekly VRDN and Put, 0.06%, 7/01/33	6,200,000	6,200,000
<sup>a</sup> California PCFA, PCR, Exxon Mobil Project, Refunding, Series 2000, Daily VRDN and Put, 0.01%, 4/01/17	16 200 000	16,300,000
Pacific Gas and Electric Co., Refunding, Series C, Daily VRDN and Put, 0.01%, 4/01/17	16,300,000 16,900,000	16,900,000
Pacific Gas and Electric Co., Refunding, Series F, Daily VRDN and Put, 0.02%, 11/01/26	9,000,000	9,000,000
California State Department of Water Resources Water System Revenue, 0.08%, 1/30/14	8,943,000	8,943,000
<sup>a</sup> California State Economic Recovery GO, Series C-4, Daily VRDN and Put, 0.01%, 7/01/23	25,695,000	25,695,000
<sup>a</sup> California State GO,	23,033,000	23,033,000
Kindergarten, Refunding, Series A3, Daily VRDN and Put, 0.01%, 5/01/34	6,100,000	6,100,000
Series A, Sub Series A-2, Daily VRDN and Put, 0.02%, 5/01/33	18,425,000	18,425,000
Series A-1, Daily VRDN and Put, 0.01%, 5/01/33	14,200,000	14,200,000
Various Purpose, Refunding, Series A, Sub Series A1-2, Weekly VRDN and Put, 0.03%,	,,	,,
5/01/40	9,800,000	9,800,000
<sup>a</sup> California State Health Facilities Financing Authority Revenue,		
Children's Hospital of Orange County, Series D, Weekly VRDN and Put, 0.05%, 11/01/34	5,900,000	5,900,000
Health Facility, Catholic Healthcare West, Series B, Weekly VRDN and Put, 0.04%,		
3/01/47	11,725,000	11,725,000
Health Facility, Catholic Healthcare West, Series C, Weekly VRDN and Put, 0.03%,		
3/01/47	13,400,000	13,400,000
St. Joseph Health System, Refunding, Series B, Daily VRDN and Put, 0.02%, 7/01/41	22,300,000	22,300,000
<sup>a</sup> California State HFAR, MF, Montecito Village, Series B, FHLMC Insured, Weekly VRDN and Put,		
0.05%, 4/01/43	6,325,000	6,325,000
<sup>a</sup> California State Municipal Finance Authority Revenue, Chevron USA Inc. Project, Recovery Zone		
Bonds,		
Series A, Daily VRDN and Put, 0.01%, 11/01/35	5,300,000	5,300,000
Series B, Daily VRDN and Put, 0.01%, 11/01/35	20,700,000	20,700,000
California State RAN, Series A-1, 2.00%, 5/28/14	7,000,000	7,050,380
<sup>a</sup> California Statewide CDA Revenue,		
John Muir Health, Refunding, Series A, Daily VRDN and Put, 0.01%, 8/15/36	9,550,000	9,550,000
John Muir Health, Refunding, Series C, Daily VRDN and Put, 0.02%, 8/15/27	2,325,000	2,325,000
Livermore Valley Performing Arts Center Project, Weekly VRDN and Put, 0.04%, 12/01/36	10,930,000	10,930,000
<sup>a</sup> Calleguas-Las Virgenes PFAR, Municipal Water District Project, Refunding, Series A,	14 005 000	14 005 000
Weekly VRDN and Put, 0.03%, 7/01/37	14,825,000	14,825,000

Franklin California Tax-Exempt Money Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
<sup>a</sup> East Bay MUD Water System Revenue, Refunding, Series A-1, Weekly VRDN and Put, 0.03%,		
6/01/38	\$16,410,000	\$ 16,410,000
<sup>a</sup> Elsinore Valley Municipal Water District COP, Refunding, Series B, Weekly VRDN and Put,		
0.08%, 7/01/35	8,000,000	8,000,000
<sup>a</sup> Hillsborough COP, Refunding, Series A, Weekly VRDN and Put, 0.11%, 6/01/30	1,700,000	1,700,000
<sup>a</sup> Irvine 1915 Act Special Assessment,		
Limited Obligation, AD No. 94-13, Daily VRDN and Put, 0.02%, 9/02/22	1,819,000	1,819,000
Limited Obligation, AD No. 97-16, Daily VRDN and Put, 0.02%, 9/02/22	4,800,000	4,800,000
Limited Obligation Improvement, AD No. 03-19, Series B, Daily VRDN and Put, 0.02%,	4 200 000	4 200 000
9/02/29	4,200,000	4,200,000
9/02/20	1,345,000	1,345,000
Limited Obligation Improvement, AD No. 97-17, Daily VRDN and Put, 0.02%, 9/02/23	7,800,000	7,800,000
alrvine Ranch Water District GO, ID, Consolidated, Series B, Daily VRDN and Put, 0.02%,	7,000,000	7,000,000
10/01/41	3,850,000	3,850,000
<sup>a</sup> Irvine Ranch Water District Special Assessment, Consolidated, ID Nos. 105 230 and 250,	-,,	2,222,222
Weekly VRDN and Put, 0.02%, 8/01/16	2,100,000	2,100,000
Los Angeles County GO, TRAN, Series A, 2.00%, 2/28/14	5,500,000	5,515,950
<sup>a</sup> Los Angeles County Housing Authority MFHR,		
Canyon Country Villas Project, Series H, Weekly VRDN and Put, 0.05%, 12/01/32	6,400,000	6,400,000
Malibu Meadows II Project, Refunding, Series C, Weekly VRDN and Put, 0.04%, 4/15/28	9,500,000	9,500,000
Malibu Meadows Project, Refunding, Series B, FNMA Insured, Weekly VRDN and Put,		
0.04%, 4/15/28	9,425,000	9,425,000
<sup>a</sup> Los Angeles County MFMR,		
Housing, Valencia Housing Project, Series C, FHLMC Insured, Weekly VRDN and Put, 0.05%,	44.075.000	44.075.000
4/01/31	11,875,000	11,875,000
Series A, FHLMC Insured, Weekly VRDN and Put, 0.05%, 7/01/14	4,500,000	4,500,000
<sup>a</sup> Los Angeles Department of Water and Power Revenue, Power System, Refunding, Series A, Sub Series A-3, Weekly VRDN and Put, 0.03%,		
7/01/35	3,250,000	3,250,000
Power System, Refunding, Series A, Sub Series A-6, Weekly VRDN and Put, 0.04%,	3,230,000	3,230,000
7/01/35	6,100,000	6,100,000
Power System, Refunding, Series B, Sub Series B-6, Daily VRDN and Put, 0.01%,	0,100,000	0,100,000
7/01/34	7,500,000	7,500,000
Power System, Series B, Sub Series B-7, Weekly VRDN and Put, 0.04%, 7/01/34	10,000,000	10,000,000
Water System, Refunding, Series B, Sub Series B-4, Weekly VRDN and Put, 0.04%,		
7/01/35	12,350,000	12,350,000
Water System, Series B, Sub Series B-2, Daily VRDN and Put, 0.02%, 7/01/35	13,700,000	13,700,000
<sup>a</sup> Metropolitan Water District of Southern California Special Water Revenue, Refunding, Series A,		
Weekly VRDN and Put, 0.02%, 10/01/29	23,000,000	23,000,000
<sup>a</sup> Oceanside MFHR, Shadow Way Apartments Project, Weekly VRDN and Put, 0.05%, 3/01/49	7,425,000	7,425,000
<sup>a</sup> Orange County Apartment Development Revenue,		
Park Ridge Villas, Issue 1, Refunding, FNMA Insured, Weekly VRDN and Put, 0.04%,		
11/15/28	9,100,000	9,100,000
Trabuco Woods, Refunding, Series J, FNMA Insured, Weekly VRDN and Put, 0.04%,	0.670.000	0.670.000
11/15/28	2,670,000	2,670,000
Series CC, FNMA Insured, Weekly VRDN and Put, 0.07%, 12/01/27	4,045,000	4,045,000
Octios Co, I ININA Ilisuicu, Meckiy VII.DIN aliu I ut, U.U. /6, 12/U1/2/	4,043,000	4,043,000

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

Franklin California Tax-Exempt Money Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
<sup>a</sup> Sacramento MUD Electric Revenue, sub. bond, Refunding, Series K, Weekly VRDN and Put,		
0.04%, 8/15/28	\$11,500,000	\$ 11,500,000
<sup>a</sup> San Diego County COP, San Diego Foundation, Weekly VRDN and Put, 0.06%, 8/01/36	4,120,000	4,120,000
<sup>a</sup> San Diego County Regional Transportation Commission Revenue, Limited Tax, Refunding,		
Series D, Weekly VRDN and Put, 0.04%, 4/01/38	24,135,000	24,135,000
<sup>a</sup> Santa Clara County Financing Authority Lease Revenue, Valley Medical Center Facilities		
Replacement Project, Series B, Weekly VRDN and Put, 0.06%, 11/15/25	24,635,000	24,635,000
<sup>a</sup> Santa Clara County MFHR, The Grove Garden Apartments, Refunding, Series A, Weekly VRDN		
and Put, 0.05%, 2/15/27	2,200,000	2,200,000
<sup>a</sup> Santa Clara Valley Transportation Authority Sales Tax Revenue, Refunding,	12.070.000	12.070.000
Series A, Weekly VRDN and Put, 0.03%, 6/01/26	13,970,000	13,970,000
Series C, Weekly VRDN and Put, 0.05%, 6/01/26	6,080,000	6,080,000
<sup>a</sup> Union City MFR, Housing Mission Sierra, Refunding, Series A, FNMA Insured, Weekly VRDN and	0.400.000	0.400.000
Put, 0.04%, 7/15/29a University of California Revenues, General,	9,400,000	9,400,000
Refunding, Series A, Weekly VRDN and Put, 0.05%, 5/15/48	8,000,000	8.000.000
Refunding, Series AL-3, Weekly VRDN and Put, 0.06%, 5/15/48	8,000,000	8,000,000
Series AL-1, Weekly VRDN and Put, 0.03%, 5/15/48	7,000,000	7,000,000
<sup>a</sup> Walnut Creek MFHR, Creekside Drive, FHLMC Insured, Weekly VRDN and Put, 0.05%,	7,000,000	7,000,000
4/01/27	3,730,000	3,730,000
	2,. 23,200	
Total Investments (Cost \$652,408,330) 97.4%		652,408,330
Other Assets, less Liabilities 2.6%		17,715,908
Net Assets 100.0%		\$670,124,238

See Abbreviations on page 72.

aVariable 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.

## **Financial Statements**

## Statements of Assets and Liabilities

December 31, 2013 (unaudited)

	Franklin California Insured Tax-Free Income Fund	Franklin California Intermediate-Term Tax-Free Income Fund	Franklin California Tax-Exempt Money Fund
Assets:			,
Investments in securities:			
Cost	\$1,729,036,192	\$1,140,132,797	\$652,408,330
Value	\$1,789,089,565	\$1,170,551,957	\$652,408,330
Cash	8,638,768	27,831,420	17,606,055
Receivables:			
Investment securities sold	37,013,750	_	_
Capital shares sold	269,155	8,386,083	273,103
Interest	27,489,123	14,880,381	124,674
Other assets	54	27	
Total assets	1,862,500,415	1,221,649,868	670,412,162
Liabilities: Payables:			
Investment securities purchased	51,220,738	15,919,267	
Capital shares redeemed	5,290,559	6,421,627	235,266
Management fees	696,571	468,833	255,200
Distribution fees	464,961	347,471	_
Transfer agent fees	135,161	142,624	24,289
Distributions to shareholders	1,466,398	855,118	_
Accrued expenses and other liabilities	82,981	21,722	28,369
Total liabilities	59,357,369	24,176,662	287,924
Net assets, at value	\$1,803,143,046	\$1,197,473,206	\$670,124,238
Net assets consist of:			
Paid-in capital	\$1,782,172,158	\$1,187,442,538	\$670,128,603
Undistributed net investment income	4,240,053	864,197	- · · · · · · · · · · · · · · · · · · ·
Net unrealized appreciation (depreciation)	60,053,373	30,419,160	_
Accumulated net realized gain (loss)	(43,322,538)	(21,252,689)	(4,365)
Net assets, at value	\$1,803,143,046	\$1,197,473,206	\$670,124,238

## Financial Statements (continued)

## Statements of Assets and Liabilities (continued)

December 31, 2013 (unaudited)

	Franklin California	Franklin California Intermediate-Term	Franklin California
	Insured Tax-Free Income Fund	Tax-Free Income Fund	Tax-Exempt Money Fund
Class A:			
Net assets, at value	\$1,545,387,657	\$ 791,886,846	\$670,124,238
Shares outstanding	127,831,852	68,263,134	670,090,001
Net asset value per share <sup>a</sup>	\$12.09	\$11.60	\$1.00
Maximum offering price per share (net asset value per share ÷ 95.75%, 97.75% and 100%, respectively)	\$12.63	\$11.87	\$1.00
Class C:			
Net assets, at value	\$ 211,657,966	\$ 200,696,041	
Shares outstanding	17,273,494	17,242,175	
Net asset value and maximum offering price per share <sup>a</sup>	\$12.25	\$11.64	
Advisor Class:			
Net assets, at value	\$ 46,097,423	\$ 204,890,319	
Shares outstanding	3,806,950	17,625,886	
Net asset value and maximum offering price per share	\$12.11	\$11.62	

<sup>&</sup>lt;sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

## Financial Statements (continued)

## **Statements of Operations**

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

	Franklin California Insured Tax-Free Income Fund	Franklin California Intermediate-Term Tax-Free Income Fund	Franklin California Tax-Exempt Money Fund
Investment income:			
Interest	\$ 48,142,714	\$ 23,672,054	\$ 155,105
Expenses:			
Management fees (Note 3a)	4,377,428	2,778,839	1,580,065
Class A	667,582	390,690	_
Class C	759,173	644,420	_
Transfer agent fees: (Note 3e)			
Class A	231,168	151,154	68,781
Class C	32,909	38,357	_
Advisor Class	7,589	39,932	_
Custodian fees	9,418	5,524	2,633
Reports to shareholders	35,757	23,693	12,230
Registration and filing fees	7,303	7,620	2,945
Professional fees	25,018	21,374	15,591
Trustees' fees and expenses	26,306	13,484	6,480
Other	61,140	45,292	25,925
Total expenses	6,240,791	4,160,379	1,714,650
Expenses waived/paid by affiliates (Note 3f)		_	(1,559,545)
Net expenses	6,240,791	4,160,379	155,105
Net investment income	41,901,923	19,511,675	
Realized and unrealized gains (losses):			
Net realized gain (loss) from investments	(22,122,396)	(8,750,935)	_
Net change in unrealized appreciation (depreciation) on investments	(22,250,034)	(5,217,589)	_
Net realized and unrealized gain (loss)	(44,372,430)	(13,968,524)	
Net increase (decrease) in net assets resulting from operations	\$ (2,470,507)	\$ 5,543,151	\$

## Financial Statements (continued)

## Statements of Changes in Net Assets

	Franklin California Insured Tax-Free Income Fund			Franklin Ca Intermedia Tax-Free Inc	ite-T	erm		
	Dece	Months Ended mber 31, 2013 unaudited)	J	Year Ended une 30, 2013	Dece	Months Ended mber 31, 2013 unaudited)	Jı	Year Ended une 30, 2013
Increase (decrease) in net assets:  Operations:  Net investment income	\$	41,901,923	\$	88,336,683	\$	19,511,675	\$	36,359,707
Net realized gain (loss) from investments		(22,122,396)		(7,275,724)		(8,750,935)		(1,635,513)
(depreciation) on investments		(22,250,034)		(61,604,593)		(5,217,589)		(32,803,614)
Net increase (decrease) in net assets resulting from operations		(2,470,507)		19,456,366		5,543,151		1,920,580
Distributions to shareholders from: Net investment income:								
Class A		(34,270,518)		(74,353,675)		(12,678,165)		(24,959,449)
Class B				(18,360)		(0.670.507)		
Class C		(4,168,368)		(9,800,192) (2,628,132)		(2,672,507) (3,435,144)		(4,954,211) (6,472,070)
		(1,149,285)						
Total distributions to shareholders		(39,588,171)		(86,800,359)		(18,785,816)		(36,385,730)
Capital share transactions: (Note 2)		(106 261 402)		(50.702.402)		15 206 470		CE CAO CA7
Class A		(196,361,403)		(50,723,423) (1,557,987)		15,386,472		65,642,647
Class C		(52,165,525)		(6,026,956)		5,637,031		29,358,001
Advisor Class		(14,822,817)		7,359,125		(11,290,074)		64,721,662
Total capital share transactions		(263,349,745)		(50,949,241)		9,733,429		159,722,310
Net increase (decrease) in		. , , .		. , , .				
net assets		(305,408,423)		(118,293,234)		(3,509,236)		125,257,160
Beginning of period	2	2,108,551,469	2	,226,844,703	1	,200,982,442	1	,075,725,282
End of period	\$1	,803,143,046	\$2	,108,551,469	\$1	,197,473,206	\$1	,200,982,442
Undistributed net investment income included in net assets:								
End of period	\$	4,240,053	\$	1,926,301	\$	864,197	\$	138,338

## Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin California Tax-Exempt Money Fund			1
	Six Months December 3 (unaud	1, 2013	Year E June 30	
Increase (decrease) in net assets:				
Operations:  Net investment income	\$	_	\$	— (1,819)
Net increase (decrease) in net assets resulting from operations		_		(1,819)
Capital share transactions: (Note 2)	41,6	543,848	64,0	04,773
Net increase (decrease) in net assets	41,6	543,848	64,0	02,954
Beginning of period	628,4	180,390	564,4	77,436
End of period	\$670,1	24,238	\$628,4	80,390

## Notes to Financial Statements (unaudited)

### 1. Organization and Significant Accounting Policies

Franklin California Tax-Free Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of three funds (Funds). The classes of shares offered within each of the Funds are indicated below. 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.

Class A	Class A, Class C & Advisor Class
Franklin California Tax-Exempt Money Fund	Franklin California Insured Tax-Free Income Fund
	Franklin California Intermediate-Term Tax-Free Income Fund

The following summarizes the Funds' significant accounting policies.

#### a. Financial Instrument Valuation

The Funds' 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. The Funds' calculate the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. Under procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Funds' valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Funds 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 Funds' 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.

Securities in the California Tax-Exempt Money Fund are valued at amortized cost, which approximates market value. Amortized cost is an income-based approach which involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium.

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

### 1. Organization and Significant Accounting Policies (continued)

### a. Financial Instrument Valuation (continued)

The Funds have 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 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 Basis

Certain funds purchase securities on a when-issued 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 funds will generally purchase these securities with the intention of holding the securities, they may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

### c. Income Taxes

It is each fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each 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.

Each 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 December 31, 2013, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each 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.

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

### 1. Organization and Significant Accounting Policies (continued)

## 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. Dividends from net investment income are normally declared daily; these dividends may be reinvested or paid monthly to shareholders. Distributions to shareholders 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. 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.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

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 Trust are insured by either a new issue insurance policy or a secondary insurance policy. Some municipal securities in the Funds 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.

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

### 1. Organization and Significant Accounting Policies (continued)

### g. Guarantees and Indemnifications

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

### 2. SHARES OF BENEFICIAL INTEREST

At December 31, 2013, there were an unlimited number of shares authorized (\$0.01 par value). Transactions in the Funds' shares were as follows:

	Franklin California Insured Tax-Free Income Fund		Franklin California Intermediate-Term Tax-Free Income Fund
Class A Channe	Shares	Amount	Shares Amount
Class A Shares:			
Six Months ended December 31, 2013	144745	ф 1.754.500	12 214 026
Shares sold	144,745	\$ 1,754,528	13,314,936 \$ 154,678,310
Shares issued in reinvestment of distributions	2,188,518	26,468,838	843,078 9,806,635
Shares redeemed	(18,593,260)	(224,584,769)	(12,843,023) (149,098,473)
		· · · · · ·	
Net increase (decrease)	(16,259,997)	\$(196,361,403)	1,314,991 \$ 15,386,472
Year ended June 30, 2013		<b>.</b>	
Shares sold	14,286,983	\$ 185,886,523	19,580,870 \$ 238,010,447
Shares issued in reinvestment of	4 217 211	EE OE 4 477	1 502 044 10 050 000
distributions	4,317,211	55,854,477	1,583,944 19,258,002
Shares redeemed	(22,677,602)	(292,464,423)	(15,790,481) (191,625,802)
Net increase (decrease)	(4,073,408)	\$ (50,723,423)	5,374,333 \$ 65,642,647
Class B Shares:			
Year ended June 30, 2013 <sup>a</sup>			
Shares sold	204	\$ 2,664	
Shares issued in reinvestment of			
distributions	969	12,664	
Shares redeemed	(120,663)	(1,573,315)	
Net increase (decrease)	(119,490)	\$ (1,557,987)	
Class C Shares:		_	
Six Months ended December 31, 2013			
Shares sold	72,618	\$ 884,536	3,403,993 \$ 39,691,958
Shares issued in reinvestment of			
distributions	272,851	3,344,348	162,698 1,899,041
Shares redeemed	(4,611,132)	(56,394,409)	(3,086,800) (35,953,968)
Net increase (decrease)	(4,265,663)	\$ (52,165,525)	479,891 \$ 5,637,031

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

## 2. Shares of Beneficial Interest (continued)

	Franklin California Insured Tax-Free Income Fund		Interme	California diate-Term ncome Fund
Class C Change (continued)	Shares	Amount	Shares	Amount
Class C Shares: (continued)				
Year ended June 30, 2013				
Shares sold	3,771,086	\$ 49,625,540	5,174,344	\$ 63,131,037
Shares issued in reinvestment of				
distributions	587,723	7,704,230	288,543	3,518,984
Shares redeemed	(4,866,851)	(63,356,726)	(3,064,998)	(37,292,020)
Net increase (decrease)	(508,042)	\$ (6,026,956)	2,397,889	\$ 29,358,001
Advisor Class Shares:				
Six Months ended December 31, 2013				
Shares sold	467,655	\$ 5,690,969	5,529,767	\$ 64,319,075
Shares issued in reinvestment of				
distributions	74,002	896,247	179,387	2,090,501
Shares redeemed	(1,766,723)	(21,410,033)	(6,678,357)	(77,699,650)
Net increase (decrease)	(1,225,066)	\$ (14,822,817)	(969,203)	\$ (11,290,074)
Year ended June 30, 2013				_
Shares sold	2,535,890	\$ 32,978,454	10,613,584	\$ 129,435,930
Shares issued in reinvestment of				
distributions	153,778	1,992,744	310,095	3,775,285
Shares redeemed	(2,131,877)	(27,612,073)	(5,635,333)	(68,489,553)
Net increase (decrease)	557,791	\$ 7,359,125	5,288,346	\$ 64,721,662

<sup>&</sup>lt;sup>a</sup>Effective March 1, 2013, all class B Shares were converted to Class A.

	Franklin California Tax-Exempt Money Fund
	Amount
Class A Shares:	
Six Months ended December 31, 2013	
Shares sold	\$ 150,450,025
Shares redeemed	(108,806,177)
Net increase (decrease)	\$ 41,643,848
Year ended June 30, 2013	
Shares sold	\$ 464,183,768
Shares redeemed	(400,178,995)
Net increase (decrease)	\$ 64,004,773

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

#### 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 Funds 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

### a. Management Fees

The Franklin California Insured Tax-Free Income Fund and Franklin California Intermediate-Term Tax-Free Income Fund pay an investment management fee to Advisers based on the month-end net assets of each of the funds and the Franklin California Tax-Exempt Money Fund pays an investment management fee to Advisers based on the average daily 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 Funds. The fee is paid by Advisers based on the Funds' average daily net assets, and is not an additional expense of the Funds.

#### c. Distribution Fees

The Board for the Franklin California Insured Tax-Free Income Fund and Franklin California Intermediate-Term Tax-Free Income Fund 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 funds' Class A reimbursement distribution plans, the funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate for each class. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the funds' Class C compensation distribution plans, the funds pay Distributors for costs

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

### 3. Transactions with Affiliates (continued)

### c. Distribution Fees (continued)

incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31 for each fund.

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

	Franklin California Insured Tax-Free Income Fund	Franklin California Intermediate-Term Tax-Free Income Fund
Reimbursement Plans:		
Class A	0.10%	0.10%
Compensation Plans:		
Class C	0.65%	0.65%

### d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Funds. 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 Funds of the following commission transactions related to the sales and redemptions of the Funds' shares for the period:

	Franklin California	Franklin California	Franklin California
	Insured Tax-Free	Intermediate-Term	Tax-Exempt
	Income Fund	Tax-Free Income Fund	Money Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers CDSC retained	\$ —	\$42,661	\$ —
	\$42,116	\$68,700	\$813

### 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 December 31, 2013, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin California Insured Tax-Free	Franklin California Intermediate-Term	Franklin California Tax-Exempt
	Income Fund	Tax-Free Income Fund	Money Fund
Transfer agent fees	\$111.222	\$229.443	\$41.464

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

### 3. Transactions with Affiliates (continued)

## f. Waiver and Expense Reimbursements

In efforts to prevent a negative yield in the Franklin California Tax-Exempt Money Fund, Advisers has voluntarily agreed to waive or limit its fees, assume as its own expense certain expenses otherwise payable by the fund and if necessary, make a capital infusion into the fund. These waivers, expense reimbursements and capital infusions are voluntary and may be modified or discontinued by Advisers at any time, and without further notice. There is no guarantee that the fund will be able to avoid a negative yield.

### 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 June 30, 2013, the capital loss carryforwards were as follows:

	Franklin California Insured Tax-Free Income Fund	Franklin California Intermediate-Term Tax-Free Income Fund	Franklin California Tax-Exempt Money Fund
Capital loss carryforwards subject to expiration:			
2015	\$ —	\$ 1,083,972	\$ —
2016	_	154,257	2,546
2017	1,446,203	5,166,158	_
2018	_	1,396,013	_
2019	7,062,310	2,006,118	_
Capital loss carryforwards not subject to expiration:			
Short term	12,691,629	2,541,137	1,819
Long term	_	154,100	_
Total capital loss carryforwards	\$21,200,142	\$12,501,755	\$4,365

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

	Franklin California Insured Tax-Free Income Fund		Intern	lin California nediate-Term e Income Fund	Franklin California Tax-Exempt Money Fund	
Cost of investments	\$1	,727,974,742	\$1	,139,753,865	\$652,	408,330
Unrealized appreciation	\$	74,685,075 (13,570,252)	\$	47,294,451 (16,496,359)	\$	
Net unrealized appreciation (depreciation)	\$	61,114,823	\$	30,798,092	\$	

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.

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

### 5. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended December 31, 2013, were as follows:

	Franklin California Insured Tax-Free	Franklin California Intermediate-Term	
	Income Fund	Tax-Free Income Fund	
Purchases	\$210,490,782	\$135,609,797	
Sales	\$424,451,880	\$140,874,348	

## 6. SHAREHOLDER CONCENTRATIONS

The Franklin California Tax-Exempt Money Fund has a concentration of shareholders holding a significant percentage of shares outstanding. Investment activities of these shareholders could have a material impact on the Fund. At December 31, 2013, the fund had two affiliated shareholders, one holding 55.81% and the other holding 8.65% and one unaffiliated shareholder holding 8.50% of the Fund's outstanding shares.

#### 7. Concentration of Risk

Each of the Funds invests a large percentage of its total assets in obligations of issuers within California. Such concentration may subject the Funds to risks associated with industrial or regional matters, and economic, political or legal developments occurring within California. In addition, investments in these securities are sensitive to interest rate changes and credit risk of the issuer and may subject the Funds to increased market volatility. The market for these investments may be limited, which may make them difficult to buy or sell.

#### 8. CREDIT FACILITY

The Franklin California Insured Tax-Free Income Fund and Franklin Intermediate-Term Tax-Free Income 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, after an extension of the original terms, matured on February 14, 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. Effective February 14, 2014, the Borrowers renewed the Global Credit Facility which matures on February 13, 2015.

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

### 8. CREDIT FACILITY (continued)

Under the terms of the Global Credit Facility, the funds shall, in addition to interest charged on any borrowings made by the funds and other costs incurred by the funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their 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 Statements of Operations. During the period ended December 31, 2013, the Funds did not use the Global Credit Facility.

### 9. FAIR VALUE MEASUREMENTS

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' 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 Funds' 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. Money market securities may be valued using amortized cost, in accordance with the 1940 Act. Generally, amortized cost reflects the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2 inputs.

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

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

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

#### 10. 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. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

#### 11. Subsequent Events

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

#### **ABBREVIATIONS**

### Selected Portfolio

1915 Act	-	Improvement Bond Act of 1915	MF	-	Multi-Family
ABAG	-	The Association of Bay Area Governments	MFH	-	Multi-Family Housing
ACA	-	American Capital Access Holdings Inc.	MFHR	-	Multi-Family Housing Revenue
AD	-	Assessment District	MFMR	-	Multi-Family Mortgage Revenue
AGMC	-	Assured Guaranty Municipal Corp.	MFR	-	Multi-Family Revenue
AMBAC	-	American Municipal Bond Assurance Corp.	MTA	-	Metropolitan Transit Authority
BART	-	Bay Area Rapid Transit	MUD	-	Municipal Utility District
BHAC	-	Berkshire Hathaway Assurance Corp.	NATL	-	National Public Financial Guarantee Corp.
CDA	-	Community Development Authority/Agency	NATL RE	-	National Public Financial Guarantee Corp.
CFD	-	Community Facilities District			Reinsured
COP	-	Certificate of Participation	PBA	-	Public Building Authority
CRDA	-	Community Redevelopment Authority/Agency	PCFA	-	Pollution Control Financing Authority
ETM	-	Escrow to Maturity	PCR	-	Pollution Control Revenue
FGIC	-	Financial Guaranty Insurance Co.	PFA	-	Public Financing Authority
FHA	-	Federal Housing Authority/Agency	PFAR	-	Public Financing Authority Revenue
FHLMC	-	Federal Home Loan Mortgage Corp.	RAN	-	Revenue Anticipation Note
FICO	-	Financing Corp.	RDA	-	Redevelopment Agency/Authority
FNMA	-	Federal National Mortgage Association	SFMR	-	Single Family Mortgage Revenue
GNMA	-	Government National Mortgage Association	TRAN	-	Tax and Revenue Anticipation Note
GO	-	General Obligation	UHSD	-	Unified/Union High School District
HFAR	-	Housing Finance Authority Revenue	USD	-	Unified/Union School District
ID	-	Improvement District	XLCA	-	XL Capital Assurance

### Shareholder Information

## **Proxy Voting Policies and Procedures**

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust'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 Trust'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 Trust 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 Fund
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund<sup>2</sup>
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 Fund
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 Fund
Templeton Frontier Markets Fund

#### **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 Franklin Pelagos Commodities Strategy Fund

#### **ASSET ALLOCATION**

Franklin LifeSmart™ Retirement Target Funds (2015-2050)<sup>6</sup>

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 Fund<sup>7</sup> Franklin Floating Rate Daily Access Fund Franklin Global Government Bond Fund Franklin High Income Fund Franklin Limited Maturity U.S. Government Securities Fund<sup>7</sup>

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 Fund<sup>7</sup> Templeton Constrained Bond Fund Templeton Emerging Markets Bond Fund Templeton Global Bond Fund

Templeton Global Total Return Fund Templeton International Bond Fund

### **TAX-FREE INCOME**<sup>8</sup>

#### **National**

Double Tax-Free Income Fund<sup>9</sup> Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund<sup>10, 11</sup>

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

### **INSURANCE FUNDS**

Franklin Templeton Variable Insurance Products Trust<sup>12</sup>

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

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ALTERNATIVE | ASSET ALLOCATION | FIXED INCOME | TAX-FREE INCOME



## < GAIN FROM OUR PERSPECTIVE® >

Semiannual Report and Shareholder Letter FRANKLIN CALIFORNIA TAX-FREE TRUST

**Investment Manager** 

Franklin Advisers, Inc.

Distributor

Franklin Templeton Distributors, Inc. (800) DIAL BEN®/342-5236 franklintempleton.com

Shareholder Services (800) 632-2301

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.