AUGUST 31, 2013

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

Franklin Double Tax-Free Income Fund

Franklin Federal Intermediate-Term Tax-Free Income Fund

Franklin Federal Limited-Term Tax-Free Income Fund

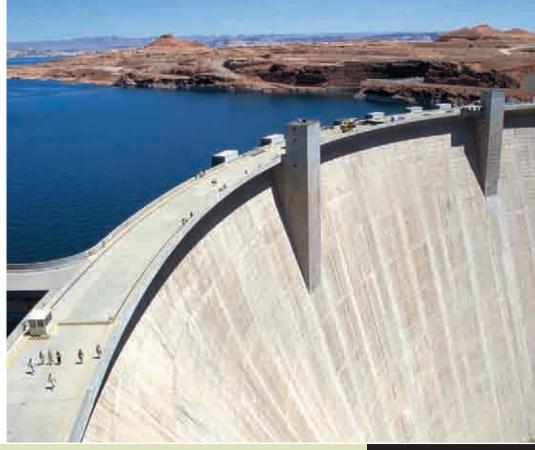
Franklin High Yield Tax-Free Income Fund

Franklin Insured Tax-Free Income Fund

Franklin Massachusetts Tax-Free Income Fund

Franklin New Jersey Tax-Free Income Fund

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Shareholder Letter

Dear Shareholder:

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

The economy continued to post positive, albeit slow, growth. Corporate earnings for the second calendar quarter were often 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. The Fed still maintained, however, that it did not believe it would start raising short-term rates until 2015. The markets experienced heightened volatility as investors anticipated the timing and magnitude of any Fed actions. Furthermore, unrest in the Middle East weighed on financial markets. Although violent demonstrations in Egypt were worrisome, at period-end, potential U.S. military involvement in Syria created even greater market concern.

In the U.S., a number of factors combined to reduce the annual budget deficit from more than \$1 trillion to approximately \$600 billion. This was good news in the short term, but the longer term financial picture still looked threatening, as entitlement program costs will increase along with the aging population. Additionally, we believe the improving fiscal picture could have the unwanted effect of removing urgency to deal with our structural budget problems for the long term.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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. During the market sell-off, investors sold municipal bonds at an unusually fast pace. The municipal market could not accommodate the selling pressure and therefore resulted in lower values for investors. Making matters worse, 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. The Barclays Municipal Bond Index, which tracks investment-grade municipal securities, had a -5.60% total return for the six-month period.1

Franklin 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.

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

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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 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 August 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

Municipal Bond Market Overview

During the six-month period ended August 31, 2013, the municipal bond market suffered a sharp sell-off, leading municipal bonds to be among the worst fixed income performers. The Barclays Municipal Bond Index, which tracks investment-grade municipal securities, had a -5.60% total return for the six-month period. In comparison, the Barclays U.S. Treasury Index had a -2.41% six-month return.1

In May, Federal Reserve Board (Fed) Chairman Ben Bernanke spoke to Congress and allowed that the Fed could begin tapering its bond buying in the coming months. As a result of his comments, interest rates rose rapidly and the municipal bond and Treasury markets dramatically lost value. Fears of declining bond prices were heightened when minutes from the Fed's July meeting included more discussion of reduced tapering. Municipal bond mutual funds experienced persistent, large outflows, particularly in the past three months, 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 bond yields. Because bond yields move in the opposite direction from prices, the yield changes led to two significant developments during the six months municipal bonds underperformed Treasury bonds and longer term municipal bonds fared worse than shorter term municipal bonds. Longer term municipal bonds experienced nearly double the loss of the Barclays Municipal Bond Index. The changes in municipal bond yields were noteworthy when weighed against the volume of newly issued municipal bonds. Thus far, 2013 is on pace to be the third consecutive year in which more municipal bonds are redeemed than newly issued. Despite the contraction to the overall size of the municipal bond market, investors continued to drive 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 during the reporting period. The City of Detroit, Michigan, filed for bankruptcy, the largest

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municipal bankruptcy in U.S. history. Independent credit rating agencies Standard & Poor's and Fitch Ratings lowered Puerto Rico general obligation debt to one step above non-investment grade (junk status). The City of Chicago suffered a three-notch downgrade by Moody's Investors Service, another independent credit rating agency. In addition to specific credit rating stories, reports from rating agencies and research organizations cited underfunded pension liabilities among several states and large municipalities that could affect their fiscal stability. Bonds issued by municipalities involved in such stories have often experienced price erosion in secondary trading, but the extent of price erosion and the contagion to related issues have been unpredictable. Fallout from such headlines during the past six months was no exception. Bonds issued by Detroit or closely related issuers sold off sharply, but Michigan bonds included in the Barclay's 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 our portfolios, exposure to Detroit, Illinois and Puerto Rico debt was a source of drag on performance over the past six months. The magnitude of a portfolio's underperformance was related to the portfolio's exposure to affected issues.

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

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

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

Investment Strategy and Manager's Discussion

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 each 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.

Manager's Discussion

Based on the combination of our value-oriented philosophy of investing primarily for income and a positive-sloping municipal yield curve, in which yields for longer term bonds are higher than those for shorter term bonds, we favored the use of longer term bonds. Consistent with our strategy, we generally sought to purchase bonds from 15 to 30 years in maturity with good call features for the long-term funds, 10 to 15 years for the intermediate-term fund, and five years or less for the limited-term fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

We invite you to read your Fund report for more detailed performance and portfolio information. Thank you for your participation in Franklin Tax-Free Trust. We look forward to serving your future investment needs.

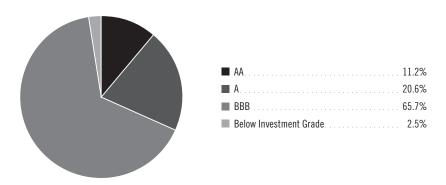
The foregoing information reflects our analysis, opinions and portfolio holdings as of August 31, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or 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 Double Tax-Free Income Fund

Your Fund's Goal and Main Investments: Franklin Double Tax-Free Income Fund seeks to provide as high a level of income exempt from federal and state personal income taxes as is consistent with prudent investment management and preservation of capital by investing at least 80% of its net assets in securities that pay interest free from such taxes. The Fund focuses on municipal securities issued by U.S. territories such as Puerto Rico, Guam and the U.S. Virgin Islands, and currently invests primarily in Puerto Rican municipal securities.

Credit Quality Breakdown*

Franklin Double Tax-Free Income Fund Based on Total Long-Term Investments as of 8/31/13**



*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 Double Tax-Free Income Fund covers the period ended August 31, 2013. The Fund closed to all new investments (other than reinvestment of dividends or capital gains distributions) at the close of the market on August 1, 2012.

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 68.

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

Dividend Distributions*

Franklin Double Tax-Free Income Fund 3/1/13-8/31/13

	D	Dividend per Share (cents)		
Month	Class A	Class C	Advisor Class	
March	4.08	3.51	4.17	
April	4.08	3.51	4.17	
May	4.08	3.51	4.17	
June	4.08	3.54	4.15	
July	4.08	3.54	4.15	
August	4.08	3.54	4.15	
Total	24.48	21.15	24.96	

^{*}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 \$12.15 on February 28, 2013, to \$10.11 on August 31, 2013. The Fund's Class A shares paid dividends totaling 24.48 cents per share for the same period.² 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 4.64%, based on an annualization of the 4.08 cent per share August dividend and the maximum offering price of \$10.56 on August 31, 2013. An investor in the 2013 maximum federal income tax bracket of 39.60% (plus 3.8% Medicare tax) would need to earn a distribution rate of 8.20% 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.

Manager's Discussion

We used various investment strategies during the six months under review as we sought to maximize tax-free income for shareholders. During the reporting period, some Puerto Rico issuers experienced downgrades from Standard & Poor's, Moody's Investors Service and Fitch Ratings that contributed to the underperformance of Puerto Rico bonds held in the Fund. Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. By period-end, the Puerto Rico bond market was experiencing a marked decline in prices worsened by negative publicity about the island's fiscal situation. Please read the overview beginning on page 4 for more details.

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

Franklin Double Tax-Free Income Fund was the first mutual fund to offer both state and federal income tax exemptions in most states. We do this by focusing on investments in U.S. territories such as Puerto Rico, the U.S. Virgin Islands and Guam. This can be particularly appealing to residents of states where income from their own municipal securities may be fully taxable.

The Fund held 90 different positions across 10 different sectors as of August 31, 2013. Issuers represented in the portfolio comprised Puerto Rico (69.1% of the Fund's total long-term investments), Guam (20.2%) and the U.S. Virgin Islands (10.7%).

Thank you for your continued participation in Franklin Double Tax-Free Income Fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

The foregoing information reflects our analysis, opinions and portfolio holdings as of August 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 Double Tax-Free Income Fund 8/31/13

Long-Term I	% of Total nvestments*
Tax-Supported	23.4%
Utilities	15.7%
General Obligation	15.3%
Transportation	13.3%
Other Revenue	11.1%
Subject to Government Appropriation	rs 7.2%
Higher Education	6.9%
Refunded	4.9%
Housing	1.2%
Hospital & Health Care	1.0%

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

Performance Summary as of 8/31/13

Franklin Double 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: FPRTX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$2.04	\$10.11	\$12.15
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2448			
Class C (Symbol: FPRIX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$2.05	\$10.15	\$12.20
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2115			
Advisor Class (Symbol: FDBZX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$2.05	\$10.12	\$12.17
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2496			

Performance Summary (continued)

Performance

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges. Class A: 4.25% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-14.98%	-14.66%	+9.78%	+35.24%
Average Annual Total Return ²	-18.60%	-18.30%	+1.00%	+2.62%
Avg. Ann. Total Return (9/30/13) ³		-18.08%	+2.31%	+2.35%
Distribution Rate ⁴	4.6	4%		
Taxable Equivalent Distribution Rate ⁵	8.2	0%		
30-Day Standardized Yield ⁶	4.8	3%		
Taxable Equivalent Yield ⁵	8.5	3%		
Total Annual Operating Expenses ⁷	0.6	6%		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-15.25%	-15.17%	+6.75%	+27.85%
Average Annual Total Return ²	-16.08%	-15.99%	+1.31%	+2.49%
Avg. Ann. Total Return (9/30/13) ³		-15.73%	+2.65%	+2.22%
Distribution Rate ⁴	4.1	9%		
Taxable Equivalent Distribution Rate ⁵	7.4	0%		
30-Day Standardized Yield ⁶	4.4	6%		
Taxable Equivalent Yield ⁵	7.8	8%		
Total Annual Operating Expenses ⁷	1.2	1%		
Advisor Class ⁸	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-15.01%	-14.57%	+10.31%	+35.89%
Average Annual Total Return ²	-15.01%	-14.57%	+1.98%	+3.11%
Avg. Ann. Total Return (9/30/13) ³		-14.30%	+3.33%	+2.85%
Distribution Rate ⁴	4.9	2%		
Taxable Equivalent Distribution Rate ⁵	8.6	9%		
30-Day Standardized Yield ⁶	5.1	3%		
Taxable Equivalent Yield ⁵	9.0	6%		
Total Annual Operating Expenses ⁷	0.5	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 particularly 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. Since the Fund may concentrate its investments in a single U.S. territory, it may be subject to greater risk of adverse economic and regulatory changes in that territory than a geographically diversified fund. The Fund is classified as a nondiversified Fund because it may invest a greater portion of its assets in the municipal securities of one issuer than a diversified fund. 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 is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

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

- 1. Cumulative total return represents the change in value of an investment over the periods indicated.
- 2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not
- 3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 4. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 8/31/13.
- 5. Taxable equivalent distribution rate and yield assume the 2013 maximum federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 6. The 30-day standardized yield for the month ended 8/31/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
- 7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 8. Effective 7/15/09, 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 7/15/09, 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 7/15/09, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 7/15/09 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +12.52% and +2.90%.

Your Fund's Expenses

Franklin Double 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 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$ 850.20	\$2.98
Hypothetical (5% return before expenses)	\$1,000	\$1,021.98	\$3.26
Class C			
Actual	\$1,000	\$ 847.50	\$5.59
Hypothetical (5% return before expenses)	\$1,000	\$1,019.16	\$6.11
Advisor Class			
Actual	\$1,000	\$ 849.90	\$2.56
Hypothetical (5% return before expenses)	\$1,000	\$1,022.43	\$2.80

^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.64%; C: 1.20%; and Advisor: 0.55%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Federal Intermediate-Term Tax-Free Income Fund

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

Credit Quality Breakdown*

Franklin Federal Intermediate-Term Tax-Free Income Fund 8/31/13

Ratings	% of Total Long-Term Investments**
AAA	6.6%
AA	56.1%
A	31.9%
BBB	4.9%
Below Investment Grade	0.2%
Not Rated	0.3%

^{*}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.

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 data represent

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

Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$12.59 on February 28, 2013, to \$11.80 on August 31, 2013. The

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 74.

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

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

Portfolio Breakdown

Franklin Federal Intermediate-Term Tax-Free Income Fund 8/31/13

Long-Te	% of Total erm Investments*
General Obligation	20.9%
Utilities	20.1%
Subject to Government Appropr	iations 17.6%
Transportation	15.9%
Hospital & Health Care	8.1%
Tax-Supported	7.4%
Other Revenue	5.7%
Higher Education	2.8%
Refunded	1.3%
Housing	0.2%

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

Dividend Distributions*

Franklin Federal Intermediate-Term Tax-Free Income Fund 3/1/13-8/31/13

	Div	Dividend per Share (cents)			
Month	Class A	Class C	Advisor Class		
March	2.63	2.04	2.73		
April	2.63	2.04	2.73		
May	2.63	2.04	2.73		
June	2.63	2.05	2.73		
July	2.63	2.05	2.73		
August	2.73	2.15	2.83		
Total	15.88	12.37	16.48		

^{*}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.

Fund's Class A shares paid dividends totaling 15.88 cents per share for the same period.² 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 2.71%, based on an annualization of the 2.73 cent per share August dividend and the maximum offering price of \$12.07 on August 31, 2013. An investor in the 2013 maximum federal income tax bracket of 39.60% (plus 3.8% Medicare tax) would need to earn a distribution rate of 4.79% 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.

Manager's Discussion

We used various investment strategies during the six months under review as we sought to maximize tax-free income for shareholders. During the reporting period, some Puerto Rico issuers experienced downgrades from Standard & Poor's, Moody's Investors Service and Fitch Ratings that contributed to the underperformance of Puerto Rico bonds held in the Fund. Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. By period-end, the Puerto Rico bond market was experiencing a marked decline in prices worsened by negative publicity about the island's fiscal situation. Please read the overview beginning on page 4 for more details.

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

Thank you for your continued participation in Franklin Federal Intermediate-Term Tax-Free Income Fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

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

Performance Summary as of 8/31/13

Franklin Federal 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: FKITX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$0.79	\$11.80	\$12.59
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1588			
Class C (Symbol: FCITX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$0.79	\$11.83	\$12.62
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1237			
Advisor Class (Symbol: FITZX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$0.79	\$11.82	\$12.61
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1648			

Performance Summary (continued)

Performance

Cumulative total return excludes sales charges. Average annual total returns include 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 ¹	-5.05%	-3.44%	+22.96%	+49.28%
Average Annual Total Return ²	-7.19%	-5.63%	+3.75%	+3.85%
Avg. Ann. Total Return (9/30/13) ³		-4.22%	+5.15%	+3.73%
Distribution Rate ⁴	2.71%			
Taxable Equivalent Distribution Rate ⁵	4.79%			
30-Day Standardized Yield ⁶	2.32%			
Taxable Equivalent Yield ⁵	4.10%			
Total Annual Operating Expenses ⁷	0.65%			
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-5.31%	-3.98%	+19.65%	+41.26%
Average Annual Total Return ²	-6.25%	-4.92%	+3.65%	+3.51%
Avg. Ann. Total Return (9/30/13) ³		-3.58%	+5.05%	+3.41%
Distribution Rate ⁴	2.18%			
Taxable Equivalent Distribution Rate ⁵	3.85%			
30-Day Standardized Yield ⁶	1.83%			
Taxable Equivalent Yield ⁵	3.23%			
Total Annual Operating Expenses ⁷	1.20%			
Advisor Class ⁸	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-5.00%	-3.34%	+23.71%	+50.18%
Average Annual Total Return ²	-5.00%	-3.34%	+4.35%	+4.15%
Avg. Ann. Total Return (9/30/13) ³		-1.99%	+5.76%	+4.03%
Distribution Rate ⁴	2.87%			
Taxable Equivalent Distribution Rate ⁵	5.07%			
30-Day Standardized Yield ⁶	2.48%			
Taxable Equivalent Yield ⁵	4.38%			

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. 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 is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

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

- 1. Cumulative total return represents the change in value of an investment over the periods indicated.
- 2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 4. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 8/31/13.
- 5. Taxable equivalent distribution rate and yield assume the 2013 maximum federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 6. The 30-day standardized yield for the 30 days ended 8/31/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
- 7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 8. Effective 12/1/08, 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 12/1/08, 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 12/1/08, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 12/1/08 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +31.09% and +5.87%.

Your Fund's Expenses

Franklin Federal 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 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$ 949.50	\$3.10
Hypothetical (5% return before expenses)	\$1,000	\$1,022.03	\$3.21
Class C			
Actual	\$1,000	\$ 946.90	\$5.79
Hypothetical (5% return before expenses)	\$1,000	\$1,019.26	\$6.01
Advisor Class			
Actual	\$1,000	\$ 950.00	\$2.60
Hypothetical (5% return before expenses)	\$1,000	\$1,022.53	\$2.70

^{*}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 Federal Limited-Term Tax-Free Income Fund

Your Fund's Goal and Main Investments: Franklin Federal Limited-Term Tax-Free Income

Fund seeks to provide as high a level of income exempt from federal income taxes as is consistent with prudent investment management and preservation of capital by investing at least 80% of its total assets in securities that pay interest free from such taxes. The Fund maintains a dollar-weighted average portfolio maturity (the time in which the debt must be repaid) of five years or less.

Credit Quality Breakdown*

Franklin Federal Limited-Term Tax-Free Income Fund 8/31/13

Ratings	% of Total Long-Term Investments**
SP-1	0.7%
MIG 1	0.2%
AAA	7.9%
AA	58.1%
A	27.6%
BBB	5.4%
Not Rated	0.1%

^{*}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 short-term ratings typically ranging from SP-1 and MIG 1 (highest) to SP-3 and SG (lowest) and 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.

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 data represent

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

Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$10.56 on February 28, 2013, to \$10.43 on August 31, 2013. The

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 94.

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

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

Portfolio Breakdown

Franklin Federal Limited-Term Tax-Free Income Fund 8/31/13

Long-Term II	% of Total nvestments*
General Obligation	28.6%
Utilities	15.5%
Subject to Government Appropriation	s 11.7%
Transportation	9.8%
Tax-Supported	8.8%
Other	6.6%
Refunded	5.8%
Hospital & Health Care	5.6%
Higher Education	3.0%
Housing	2.9%
Corporate-Backed	1.7%

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

Dividend Distributions*

Franklin Federal Limited-Term Tax-Free Income Fund 3/1/13-8/31/13

	Dividend p	er Share (cents)
Month	Class A	Advisor Class
March	1.26	1.39
April	1.26	1.39
May	1.26	1.39
June	1.26	1.39
July	1.14	1.27
August	1.14	1.27
Total	7.32	8.10

^{*}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.

Fund's Class A shares paid dividends totaling 7.32 cents per share for the same period.² The Performance Summary beginning on page 26 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 1.28%, based on an annualization of the 1.14 cent per share August dividend and the maximum offering price of \$10.67 on August 31, 2013. An investor in the 2013 maximum federal income tax bracket of 39.60% (plus 3.8% Medicare tax) would need to earn a distribution rate of 2.26% from a taxable investment to match the Fund's Class A tax-free distribution rate. For the Fund's Advisor Class shares' performance, please see the Performance Summary. Dividend distributions were affected by lower interest rates early in the period. This and other factors resulted in reduced income for the portfolio and caused dividends to be lower at the end of the period.

Manager's Discussion

We used various investment strategies during the six months under review as we sought to maximize tax-free income for shareholders. During the reporting period, some Puerto Rico issuers experienced downgrades from Standard & Poor's, Moody's Investors Service and Fitch Ratings that contributed to the underperformance of Puerto Rico bonds held in the Fund. Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. By period-end, the Puerto Rico bond market was experiencing a marked decline in prices worsened by negative publicity about the island's fiscal situation. Please read the overview beginning on page 4 for more details.

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

Consistent with our investment strategy, we invested in bonds we believed could provide the most relative value from an income perspective. Seeking a dollar-weighted average portfolio maturity of five years or less, we concentrated in the one- to five-year range in an effort to insulate investors against bond market volatility. As a result of our strategy, we believe the Fund was positioned to be less sensitive to changes in short-term interest rates, preserve capital and produce tax-free income.

Thank you for your continued participation in Franklin Federal Limited-Term Tax-Free Income Fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

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

Performance Summary as of 8/31/13

Franklin Federal Limited-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: FFTFX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$0.13	\$10.43	\$10.56
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.0732			
Advisor Class (Symbol: FTFZX)		Change	8/31/13	2/28/13
Advisor Class (Symbol: FTFZX) Net Asset Value (NAV)		Change -\$0.13	8/31/13 \$10.42	2/28/13 \$10.55

Performance Summary (continued)

Performance¹

Cumulative total return excludes sales charges. Average annual total returns include the maximum sales charges. Class A: 2.25% maximum initial sales charge; Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year	Inception (9/2/03)
Cumulative Total Return ²	-0.54%	-0.03%	+14.50%	_	+29.57%
Average Annual Total Return ³	-2.75%	-2.25%	+2.28%	_	+2.39%
Avg. Ann. Total Return (9/30/13) ⁴		-2.09%	+2.53%	+2.34%	+2.40%
Distribution Rate ⁵	1.2	8%			
Taxable Equivalent Distribution Rate ⁶	2.2	6%			
30-Day Standardized Yield ⁷	0.6	8% (with waive	r)	0.46% (without	waiver)
Taxable Equivalent Yield ⁶	1.2	0% (with waive	r)	0.81% (without	waiver)
Total Annual Operating Expenses ⁸	0.6	0% (with waive	r)	0.84% (without	waiver)
Total / Illitaal Operating Expenses		0 70 (1111111 114110	.,		
Total Allinaal Operating Expenses		0 70 (MILII MAIVO	.,		Inception
Advisor Class ⁹	6-Month	1-Year	5-Year		
					Inception
Advisor Class ⁹	6-Month	1-Year	5-Year	10-Year	Inception (9/2/03)
Advisor Class ⁹ Cumulative Total Return ²	6-Month -0.47%	1-Year +0.12%	5-Year +14.82%	10-Year —	Inception (9/2/03) +29.93%
Advisor Class ⁹ Cumulative Total Return ² Average Annual Total Return ³	6-Month -0.47%	1-Year +0.12% +0.12% +0.18%	5-Year +14.82% +2.80%	10-Year —	Inception (9/2/03) +29.93% +2.43%
Advisor Class ⁹ Cumulative Total Return ² Average Annual Total Return ³ Avg. Ann. Total Return (9/30/13) ⁴	6-Month -0.47% -0.47%	1-Year +0.12% +0.12% +0.18%	5-Year +14.82% +2.80%	10-Year —	Inception (9/2/03) +29.93% +2.43%
Advisor Class ⁹ Cumulative Total Return ² Average Annual Total Return ³ Avg. Ann. Total Return (9/30/13) ⁴ Distribution Rate ⁵	6-Month -0.47% -0.47%	1-Year +0.12% +0.12% +0.18%	5-Year +14.82% +2.80% +3.06%	10-Year —	Inception (9/2/03) +29.93% +2.43% +2.66%
Advisor Class ⁹ Cumulative Total Return ² Average Annual Total Return ³ Avg. Ann. Total Return (9/30/13) ⁴ Distribution Rate ⁵ Taxable Equivalent Distribution Rate ⁶	6-Month -0.47% -0.47% 1.4 2.5 0.8	1-Year +0.12% +0.12% +0.18% 6% 8%	5-Year +14.82% +2.80% +3.06%	10-Year — — +2.60%	Inception (9/2/03) +29.93% +2.43% +2.66%

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. 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 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 A: Prior to 2/1/06, these shares were offered without an initial sales charge; thus actual total returns would have differed.

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

- 1. The Fund has an expense reduction contractually guaranteed through at least 6/30/14. Fund investment results reflect the expense reduction, to the extent applicable; without this reduction, the results would have been lower.
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not
- 4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 5. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Advisor Class) per share on 8/31/13.
- 6. Taxable equivalent distribution rate and yield assume the 2013 maximum federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 7. The 30-day standardized yield for the 30 days ended 8/31/13 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.
- 8. 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.
- 9. Effective 2/1/11, 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 2/1/11, 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 2/1/11, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 2/1/11 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +6.39% and +2.43%.

Your Fund's Expenses

Franklin Federal Limited-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 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$ 994.60	\$3.02
Hypothetical (5% return before expenses)	\$1,000	\$1,022.18	\$3.06
Advisor Class			
Actual	\$1,000	\$ 995.30	\$2.26
Hypothetical (5% return before expenses)	\$1,000	\$1,022.94	\$2.29

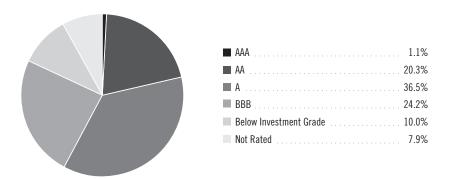
^{*}Expenses are calculated using the most recent six-month annualized expense ratio, net of expense waivers annualized for each class (A: 0.60% and Advisor: 0.45%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin High Yield Tax-Free Income Fund

Your Fund's Goals and Main Investments: Franklin High Yield Tax-Free Income Fund seeks to provide a high current yield exempt from federal income taxes by investing at least 80% of its net assets in securities that pay interest free from such taxes. Its secondary goal is capital appreciation to the extent possible and consistent with the Fund's principal investment goal.

Credit Quality Breakdown*

Franklin High Yield Tax-Free Income Fund Based on Total Long-Term Investments as of 8/31/13**



*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.

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 data represent

This semiannual report for Franklin High Yield Tax-Free Income Fund covers the period ended August 31, 2013.

Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$10.98 on February 28, 2013, to \$9.69 on August 31, 2013. The

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

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 109.

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

Portfolio Breakdown

Franklin High Yield Tax-Free Income Fund 8/31/13

Long-Term In	% of Total vestments*
Utilities	19.0%
Transportation	17.4%
Hospital & Health Care	15.8%
General Obligation	11.7%
Tax-Supported	10.3%
Subject to Government Appropriations	7.1%
Refunded	5.7%
Corporate-Backed	5.3%
Other Revenue	4.4%
Higher Education	2.3%
Housing	1.0%

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

Dividend Distributions*

Franklin High Yield Tax-Free Income Fund 3/1/13-8/31/13

	Div	Dividend per Share (cents)			
Month	Class A	Class C	Advisor Class		
March	3.55	3.03	3.64		
April	3.55	3.03	3.64		
May	3.55	3.03	3.64		
June	3.55	3.05	3.64		
July	3.65	3.15	3.74		
August	3.75	3.25	3.84		
Total	21.60	18.54	22.14		

^{*}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.

Fund's Class A shares paid dividends totaling 21.60 cents per share for the same period.² The Performance Summary beginning on page 34 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 4.45%, based on an annualization of the 3.75 cent per share August dividend and the maximum offering price of \$10.12 on August 31, 2013. An investor in the 2013 maximum federal income tax bracket of 39.60% (plus 3.8% Medicare tax) would need to earn a distribution rate of 7.86% 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.

Manager's Discussion

We used various investment strategies during the six months under review as we sought to maximize tax-free income for shareholders. During the reporting period, some Puerto Rico issuers experienced downgrades from Standard & Poor's, Moody's Investors Service and Fitch Ratings that contributed to the underperformance of Puerto Rico bonds held in the Fund. Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. By period-end, the Puerto Rico bond market was experiencing a marked decline in prices worsened by negative publicity about the island's fiscal situation. Please read the overview beginning on page 4 for more details.

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

During the reporting period, the Fund continued to generate high, current, tax-free income for its shareholders. Consistent with our strategy, the Fund did not use leverage or credit derivatives to boost short-term returns, and we were careful to not overexpose the portfolio to any one credit sector.

Thank you for your continued participation in Franklin High Yield Tax-Free Income Fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

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

Performance Summary as of 8/31/13

Franklin High Yield 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: FRHIX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.29	\$9.69	\$10.98
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2160			
Class C (Symbol: FHYIX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.30	\$9.84	\$11.14
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1854			
Advisor Class (Symbol: FHYVX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.30	\$9.72	\$11.02
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2214			

Performance

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges. Class A: 4.25% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-9.82%	-7.42%	+24.52%	+57.88%
Average Annual Total Return ²	-13.68%	-11.32%	+3.57%	+4.22%
Avg. Ann. Total Return (9/30/13) ³		-9.44%	+5.46%	+4.20%
Distribution Rate ⁴	4.45%	6		
Taxable Equivalent Distribution Rate ⁵	7.86%	6		
30-Day Standardized Yield ⁶	4.34%	6		
Taxable Equivalent Yield ⁵	7.67%	6		
Total Annual Operating Expenses ⁷	0.65%	6		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-10.11%	-7.93%	+21.12%	+49.46%
Average Annual Total Return ²	-10.99%	-8.82%	+3.91%	+4.10%
Avg. Ann. Total Return (9/30/13) ³		-6.90%	+5.83%	+4.08%
Distribution Rate ⁴	3.96%	6		
Taxable Equivalent Distribution Rate ⁵	7.00%	6		
30-Day Standardized Yield ⁶	3.98%	6		
Taxable Equivalent Yield ⁵	7.03%	6		
Total Annual Operating Expenses ⁷	1.20%	6		
Advisor Class ⁸	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-9.83%	-7.31%	+25.17%	+59.03%
Average Annual Total Return ²	-9.83%	-7.31%	+4.59%	+4.75%
Avg. Ann. Total Return (9/30/13) ³		-5.33%	+6.52%	+4.74%
Distribution Rate ⁴	4.74%	6		
Taxable Equivalent Distribution Rate ⁵	8.37%	6		
30-Day Standardized Yield ⁶	4.65%	6		
Taxable Equivalent Yield ⁵	0.000	/		
	8.22%	' 0		

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.

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. In general, an investor is paid a higher yield to assume a greater degree of credit risk. 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 is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

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

- 1. Cumulative total return represents the change in value of an investment over the periods indicated.
- 2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 4. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 8/31/13.
- 5. Taxable equivalent distribution rate and yield assume the 2013 maximum federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 6. The 30-day standardized yield for the 30 days ended 8/31/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
- 7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 8. Effective 1/3/06, 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 1/3/06, 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 1/3/06, actual Advisor class performance is used reflecting all charges and fees applicable to that class. Since 1/3/06 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +33.46% and +3.84%.

Your Fund's Expenses

Franklin High Yield 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 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$ 901.80	\$2.97
Hypothetical (5% return before expenses)	\$1,000	\$1,022.08	\$3.16
Class C			
Actual	\$1,000	\$ 898.90	\$5.60
Hypothetical (5% return before expenses)	\$1,000	\$1,019.31	\$5.96
Advisor Class			
Actual	\$1,000	\$ 901.70	\$2.49
Hypothetical (5% return before expenses)	\$1,000	\$1,022.58	\$2.65

^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.62%; C: 1.17%; and Advisor: 0.52%), multiplied by the average account value over the period, multiplied by 184/365 reflect the one-half year period.

Franklin Insured Tax-Free Income Fund

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

to provide as high a level of income exempt from federal income taxes as is consistent with prudent investment management and preservation of capital by investing at least 80% of its total assets in securities that pay interest free from such taxes.¹ The Fund invests predominantly in insured municipal securities.²

Credit Quality Breakdown*

Franklin Insured Tax-Free Income Fund 8/31/13

Ratings	% of Total Long-Term Investments**
AAA	4.1%
AA	72.0%
A	19.1%
BBB	2.2%
Below Investment Grade	0.4%
Not Rated	2.2%

^{*}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.

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 data represent

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

Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$12.63 on February 28, 2013, to \$11.55 on August 31, 2013. The

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 140.

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

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

^{2.} Fund shares are not insured by any U.S. or other government agency. They are subject to market risks and will fluctuate in value.

Portfolio Breakdown

Franklin Insured Tax-Free Income Fund 8/31/13

Long-Term I	% of Total nvestments*
Utilities	18.2%
Hospital & Health Care	15.3%
Transportation	14.7%
General Obligation	13.8%
Subject to Government Appropriation	ns 13.5%
Tax-Supported	8.8%
Higher Education	5.7%
Refunded	5.1%
Other Revenue	4.4%
Housing	0.5%

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

Dividend Distributions*

Franklin Insured Tax-Free Income Fund 3/1/13-8/31/13

	Div	Dividend per Share (cents)		
Month	Class A	Class C	Advisor Class	
March	3.38	2.79	3.49	
April	3.48	2.89	3.59	
May	3.58	2.99	3.69	
June	3.68	3.11	3.78	
July	3.68	3.11	3.78	
August	3.86	3.29	3.96	
Total	21.66	18.18	22.29	

^{*}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.

Fund's Class A shares paid dividends totaling 21.66 cents per share for the same period.³ The Performance Summary beginning on page 42 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 3.84%, based on an annualization of the 3.86 cent per share August dividend and the maximum offering price of \$12.06 on August 31, 2013. An investor in the 2013 maximum federal income tax bracket of 39.60% (plus 3.8% Medicare tax) would need to earn a distribution rate of 6,78% 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.

Manager's Discussion

We used various investment strategies during the six months under review as we sought to maximize tax-free income for shareholders. During the reporting period, some Puerto Rico issuers experienced downgrades from Standard & Poor's, Moody's Investors Service and Fitch Ratings that contributed to the underperformance of Puerto Rico bonds held in the Fund. Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. By period-end, the Puerto Rico bond market was experiencing a marked decline in prices worsened by negative publicity about the island's fiscal situation. Please read the overview beginning on page 4 for more details.

^{3.} All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

During the reporting period, we limited Fund purchases to bonds insured by Assured Guaranty and Build America Mutual and non-insured bonds rated AA or higher by independent credit rating agencies. Since the 2008 financial crisis, rating agencies have lowered or withdrawn their ratings on most municipal bond insurers, and certain municipal bond insurers have withdrawn from the market or ceased writing new policies. Insurance penetration in the municipal bond market has greatly decreased, with fewer qualified bond insurers (rated BBB or better) offering insurance on new issues of municipal securities. These circumstances have led to a decrease in the supply of insured municipal securities and a consolidation among municipal bond insurers, thereby concentrating the insurance company credit risk with respect to securities in the Fund's portfolio among fewer municipal bond insurers. Accordingly, effective at the close of the market on March 1, 2013, the Fund was closed to all new investments (other than reinvestment of dividends or capital gain distributions).

Thank you for your continued participation in Franklin Insured Tax-Free Income Fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

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

Performance Summary as of 8/31/13

Franklin 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: FTFIX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.08	\$11.55	\$12.63
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2166			
Class C (Symbol: FRITX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.09	\$11.70	\$12.79
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1818			
Advisor Class (Symbol: FINZX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.08	\$11.54	\$12.62
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2229			

Performance

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges. Class A: 4.25% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-6.91%	-5.07%	+20.42%	+46.02%
Average Annual Total Return ²	-10.86%	-9.11%	+2.89%	+3.41%
Avg. Ann. Total Return (9/30/13) ³		-7.61%	+4.56%	+3.37%
Distribution Rate ⁴	3.84%			
Taxable Equivalent Distribution Rate ⁵	6.78%			
30-Day Standardized Yield ⁶	3.62%			
Taxable Equivalent Yield ⁵	6.40%			
Total Annual Operating Expenses ⁷	0.62%			
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-7.16%	-5.62%	+17.19%	+38.38%
Average Annual Total Return ²	-8.07%	-6.54%	+3.22%	+3.30%
Avg. Ann. Total Return (9/30/13) ³		-4.94%	+4.91%	+3.26%
Distribution Rate ⁴	3.37%			
Taxable Equivalent Distribution Rate ⁵	5.95%			
30-Day Standardized Yield ⁶	3.22%			
Taxable Equivalent Yield ⁵	5.69%			
Total Annual Operating Expenses ⁷	1.17%			
Advisor Class ⁸	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-6.86%	-5.06%	+20.92%	+46.66%
Average Annual Total Return ²	-6.86%	-5.06%	+3.87%	+3.90%
Avg. Ann. Total Return (9/30/13) ³		-3.34%	+5.59%	+3.87%
Distribution Rate ⁴	4.12%			
Taxable Equivalent Distribution Rate ⁵	7.28%			
30-Day Standardized Yield ⁶	3.88%			
Taxable Equivalent Yield ⁵	6.86%			
Total Annual Operating Expenses ⁷	0.52%			

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.

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. 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 is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

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

- 1. Cumulative total return represents the change in value of an investment over the periods indicated.
- 2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 4. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 8/31/13.
- 5. Taxable equivalent distribution rate and yield assume the 2013 maximum federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 6. The 30-day standardized yield for the 30 days ended 8/31/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
- 7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 8. Effective 7/1/08, 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 7/1/08, 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 7/1/08, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 7/1/08 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +21.18% and +3.79%.

Your Fund's Expenses

Franklin 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 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$ 930.90	\$2.92
Hypothetical (5% return before expenses)	\$1,000	\$1,022.18	\$3.06
Class C			
Actual	\$1,000	\$ 928.40	\$5.64
Hypothetical (5% return before expenses)	\$1,000	\$1,019.36	\$5.90
Advisor Class			
Actual	\$1,000	\$ 931.40	\$2.48
Hypothetical (5% return before expenses)	\$1,000	\$1,022.63	\$2.60

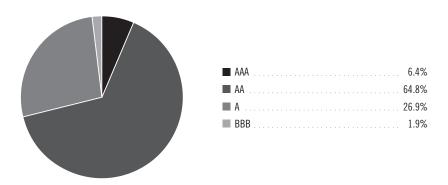
^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.60%; C: 1.16%; and Advisor: 0.51%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Massachusetts Tax-Free Income Fund

Your Fund's Goal and Main Investments: Franklin Massachusetts Tax-Free Income Fund seeks to provide as high a level of income exempt from federal and Massachusetts 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.1

Credit Quality Breakdown*

Franklin Massachusetts Tax-Free Income Fund Based on Total Long-Term Investments as of 8/31/13**



*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.

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

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

Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$12.16 on February 28, 2013, to \$10.94 on August 31, 2013. The Fund's Class A shares paid dividends totaling 19.08 cents per share for the

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 157.

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

Dividend Distributions*

Franklin Massachusetts Tax-Free Income Fund 3/1/13-8/31/13

	Di	Dividend per Share (cents)			
Month	Class A	Class C	Advisor Class		
March	3.18	2.61	3.28		
April	3.18	2.61	3.28		
May	3.18	2.61	3.28		
June	3.18	2.63	3.28		
July	3.18	2.63	3.28		
August	3.18	2.63	3.28		
Total	19.08	15.72	19.68		

^{*}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.

same period.² The Performance Summary beginning on page 51 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 3.34%, based on an annualization of the 3.18 cent per share August dividend and the maximum offering price of \$11.43 on August 31, 2013. An investor in the 2013 maximum combined effective federal and Massachusetts personal income tax bracket of 46.57% (including 3.8% Medicare tax) would need to earn a distribution rate of 6.25% 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.

Commonwealth Update

Massachusetts experienced modest and uneven economic growth during the reporting period. The commonwealth's employment, income and consumerspending levels improved during the first quarter of the calendar year after federal lawmakers resolved a number of tax and policy issues regarding the national debt. Although the commonwealth outperformed many other New England states based on many economic indicators during the second quarter, the local economy faced setbacks after tax increases hampered business activity and the automatic federal budget spending cuts impacted Massachusetts's large

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

concentration of government-funded research programs. Against this backdrop, the commonwealth's unemployment level rose to 7.2% at period-end from 6.5% in February 2013, which was slightly below the 7.3% national rate.³ The real estate market improved, however, as Massachusetts's home sales and price levels reached a six-year high, largely because of low inventory levels and concerns that historically low interest rates could move higher.

The commonwealth ended fiscal year 2013 on June 30 with a surplus. Revenue collections during the period were strong and surpassed lawmakers' expectations and the previous year's performance. Personal income tax collections were a major contributor to revenue growth, supported by asset sales made in anticipation of higher tax rates in 2013. Sales tax collections underperformed the commonwealth's forecast but increased compared to the previous fiscal year. Lawmakers drew from the Budget Stabilization Fund (BSF) in fiscal year 2013 but also maintained its stability by automatically depositing large capital gains collections taken from personal income taxes. The budget for fiscal year 2014 included spending on education, health care and workforce development, balanced by a withdrawal from the BSF. The governor vetoed a number of transportation funding items to pressure the legislature into accepting his revisions to a transportation finance bill. The legislature, in turn, overrode the governor's revisions and passed the bill, which will fund transportation investments by raising gas taxes and toll fees.

Massachusetts's debt levels ranked among the nation's highest, with net taxsupported debt at 9.3% of personal income and \$4,968 per capita, compared with the 2.8% and \$1,074 national medians.⁴ Independent credit rating agency Standard & Poor's (S&P) cited the commonwealth's high debt burden and large unfunded pension and other postemployment liabilities as offsetting considerations to the AA+ rating and stable outlook on the commonwealth's general obligation bonds. The rating also reflected S&P's view of the commonwealth's strong budget performance, including a focus on structural solutions to maintain budget balance; ongoing progress in improving financial, debt and budget management; and commitment to increasing BSF balances. Furthermore, S&P cited the commonwealth's diverse economy, high wealth and income levels, and active management of postretirement liabilities as positive factors. The stable outlook reflected S&P's expectation that Massachusetts will continue to proactively manage its budget and improve structural budget performance.

Portfolio Breakdown

Franklin Massachusetts Tax-Free Income Fund 8/31/13

Long-To	% of Total erm Investments*
Higher Education	24.2%
Transportation	17.0%
Tax-Supported	14.9%
Other Revenue	11.5%
Hospital & Health Care	8.7%
Housing	8.6%
General Obligation	8.3%
Refunded	4.1%
Utilities	2.7%

^{*}Does not include short-term investments and other net assets

^{3.} Source: Bureau of Labor Statistics.

^{4.} Source: Moody's Investors Service, "2013 State Debt Medians Report," 5/29/13.

^{5.} This does not indicate S&P's rating of the Fund.

Manager's Discussion

We used various investment strategies during the six months under review as we sought to maximize tax-free income for shareholders. During the reporting period, some Puerto Rico issuers experienced downgrades from S&P, Moody's Investors Service and Fitch Ratings that contributed to the underperformance of Puerto Rico bonds held in the Fund. Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. By period-end, the Puerto Rico bond market was experiencing a marked decline in prices worsened by negative publicity about the island's fiscal situation. Please read the overview beginning on page 4 for more details.

Thank you for your continued participation in Franklin Massachusetts Tax-Free Income Fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

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

Performance Summary as of 8/31/13

Franklin Massachusetts 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: FMISX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.22	\$10.94	\$12.16
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1908			
Class C (Symbol: FMAIX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.24	\$11.05	\$12.29
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1572			
Advisor Class (Symbol: n/a)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.22	\$10.94	\$12.16
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1968			

Performance

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges. Class A: 4.25% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-8.54%	-7.24%	+16.09%	+41.63%
Average Annual Total Return ²	-12.43%	-11.17%	+2.14%	+3.09%
Avg. Ann. Total Return (9/30/13) ³		-9.04%	+3.75%	+3.13%
Distribution Rate ⁴	3.34%	, o		
Taxable Equivalent Distribution Rate ⁵	6.25%	, 0		
30-Day Standardized Yield ⁶	3.48%	, o		
Taxable Equivalent Yield ⁵	6.51%	, 0		
Total Annual Operating Expenses ⁷	0.65%	, 0		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-8.88%	-7.77%	+12.88%	+34.01%
Average Annual Total Return ²	-9.77%	-8.67%	+2.45%	+2.97%
Avg. Ann. Total Return (9/30/13) ³		-6.50%	+4.06%	+3.01%
Distribution Rate ⁴	2.86%	, o		
Taxable Equivalent Distribution Rate ⁵	5.35%	, o		
30-Day Standardized Yield ⁶	3.09%	,		
Taxable Equivalent Yield ⁵	5.78%	, 0		
Total Annual Operating Expenses ⁷	1.20%	6		
Advisor Class ⁸	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-8.49%	-7.14%	+16.57%	+42.22%
Average Annual Total Return ²	-8.49%	-7.14%	+3.11%	+3.58%
Avg. Ann. Total Return (9/30/13) ³		-5.01%	+4.71%	+3.62%
Distribution Rate ⁴	3.60%	6		
Taxable Equivalent Distribution Rate ⁵	6.74%	/ 0		
30-Day Standardized Yield ⁶	3.71%	0		
Taxable Equivalent Yield ⁵	6.94%	/ 0		
Total Annual Operating Expenses ⁷	0.55%			

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.

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. Since the Fund concentrates its investments in a single state, it is subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified fund. 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 is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

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

- 1. Cumulative total return represents the change in value of an investment over the periods indicated.
- 2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not
- 3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 4. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 8/31/13.
- 5. Taxable equivalent distribution rate and yield assume the published rates as of 6/24/13 for the maximum combined effective federal and Massachusetts personal income tax rate of 46.57%, based on the federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 6. The 30-day standardized yield for the month ended 8/31/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
- 7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 8. Effective 7/1/09, 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 7/1/09, 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 7/1/09, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 7/1/09 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +16.64% and +3.76%.

Your Fund's Expenses

Franklin Massachusetts 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 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$ 914.60	\$3.14
Hypothetical (5% return before expenses)	\$1,000	\$1,021.93	\$3.31
Class C			
Actual	\$1,000	\$ 911.20	\$5.78
Hypothetical (5% return before expenses)	\$1,000	\$1,019.16	\$6.11
Advisor Class			
Actual	\$1,000	\$ 915.10	\$2.65
Hypothetical (5% return before expenses)	\$1,000	\$1,022.43	\$2.80

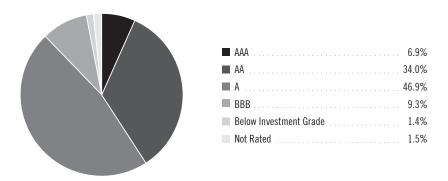
^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.65%; C: 1.20%; and Advisor: 0.55%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin New Jersey Tax-Free Income Fund

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

Credit Quality Breakdown*

Franklin New Jersey Tax-Free Income Fund Based on Total Long-Term Investments as of 8/31/13**



*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.

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

This semiannual report for Franklin New Jersey Tax-Free Income Fund covers the period ended August 31, 2013.

Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$12.62 on February 28, 2013, to \$11.45 on August 31, 2013. The

1. For state personal income taxes, the 80% minimum is measured by total Fund assets. 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 163.

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

Dividend Distributions*

Franklin New Jersey Tax-Free Income Fund 3/1/13-8/31/13

	Di	vidend per Sha	are (cents)
Month	Class A	Class C	Advisor Class
March	3.59	3.00	3.70
April	3.59	3.00	3.70
May	3.59	3.00	3.70
June	3.59	3.02	3.69
July	3.59	3.02	3.69
August	3.66	3.09	3.76
Total	21.61	18.13	22.24

^{*}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.

Fund's Class A shares paid dividends totaling 21.61 cents per share for the same period.² The Performance Summary beginning on page 60 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 3.67%, based on an annualization of the 3.66 cent per share August dividend and the maximum offering price of \$11.96 on August 31, 2013. An investor in the 2013 maximum combined effective federal and New Jersey personal income tax bracket of 48.82% (including 3.8% Medicare tax) would need to earn a distribution rate of 7.17% 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.

State Update

New Jersey's broad and mature economy made uneven progress during the reporting period. The state's post-Superstorm Sandy recovery effort gained momentum after insurance companies and federal disaster relief agencies began dispensing funds that allowed home and business owners to repair and rebuild. These funds, along with seasonal hiring at the beginning of the summer tourism season, stimulated economic activity that helped New Jersey's unemployment rate reach a four-year low of 8.5% at period-end, which was higher than the 7.3% national average.³ Against this backdrop, the state's troubled housing market experienced improved sales and price levels as homeowners used disaster recovery funds to restore their properties.

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

^{3.} Source: Bureau of Labor Statistics.

Portfolio Breakdown

Franklin New Jersey Tax-Free Income Fund 8/31/13

Long-Term Inv	% of Total vestments*
Transportation	17.2%
Higher Education	15.3%
Subject to Government Appropriations	13.6%
Hospital & Health Care	13.1%
Refunded	11.4%
Tax-Supported	8.4%
Utilities	8.4%
Other Revenue	6.4%
General Obligation	4.2%
Housing	2.0%

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

The state's Sandy recovery effort boosted revenue growth. Sales tax collections increased as home and business owners replaced damaged vehicles and purchased tools and materials to rebuild. Despite these gains, collections fell short of expectations at fiscal year-end on June 30, 2013. The fiscal year 2014 budget was slightly higher than the previous year's plan and the largest since 2008. The increase was driven by higher pension, health insurance and other benefit costs. Chief among these drivers was a sizable increase in state pension contributions mandated by legislation designed to bring the state closer to sound pension management. This expenditure growth was partially offset by new revenue collections from online gambling and increased sales tax collections from Internet retailer Amazon.com. The budget was balanced with assumed revenue growth, nonrecurring resources, savings from planned participation in the federal Affordable Care Act and increased participant contributions for health insurance.

New Jersey's debt levels remained among the nation's highest, with net taxsupported debt at 7.6% of personal income and \$4,023 per capita, compared with the 2.8% and \$1,074 national medians. Independent credit rating agency Standard & Poor's (S&P) affirmed its AA- rating and negative outlook for the state's general obligation bonds.⁵ The rating reflected S&P's positive view of the state's diverse economic base and high wealth and income levels, offset by a trend of structurally unbalanced budgets, large unfunded pension liability, significant postemployment benefit obligations and an above-average debt burden. The negative outlook reflected S&P's concerns about growing fiscal pressures and the state's inability to achieve structural balance, as well as what S&P viewed as optimistic revenue assumptions, continued reliance on nonrecurring measures to compensate for revenue shortfalls and spending growth, and increasing fiscal pressures stemming from fixed expenditures.

Manager's Discussion

We used various investment strategies during the six months under review as we sought to maximize tax-free income for shareholders. During the reporting period, some Puerto Rico issuers experienced downgrades from S&P, Moody's Investors Service and Fitch Ratings that contributed to the underperformance of Puerto Rico bonds held in the Fund. Puerto Rico's municipal bond market is widely traded because of its dual tax-exemption advantages. By period-end, the Puerto Rico bond market was experiencing a marked decline in prices worsened by negative publicity about the island's fiscal situation. Please read the overview beginning on page 4 for more details.

^{4.} Source: Moody's Investors Service, "2013 State Debt Medians Report," 5/29/13.

^{5.} This does not indicate S&P's rating of the Fund.

Thank you for your continued participation in Franklin New Jersey Tax-Free Income Fund. We believe our conservative, buy-and-hold investment strategy can help us achieve high, current, tax-free income for shareholders.

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

Performance Summary as of 8/31/13

Franklin New Jersey 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: FRNJX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.17	\$11.45	\$12.62
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2161			
Class C (Symbol: FNIIX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.18	\$11.58	\$12.76
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.1813			
Advisor Class (Symbol: FNJZX)		Change	8/31/13	2/28/13
Net Asset Value (NAV)		-\$1.17	\$11.46	\$12.63
Distributions (3/1/13-8/31/13)				
Dividend Income	\$0.2224			

Performance

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges. Class A: 4.25% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-7.64%	-6.34%	+19.23%	+49.02%
Average Annual Total Return ²	-11.57%	-10.31%	+2.69%	+3.62%
Avg. Ann. Total Return (9/30/13) ³		-8.96%	+4.12%	+3.55%
Distribution Rate ⁴	3.67%	, 0		
Taxable Equivalent Distribution Rate ⁵	7.17%	, 0		
30-Day Standardized Yield ⁶	3.29%	, 0		
Taxable Equivalent Yield ⁵	6.43%	, 0		
Total Annual Operating Expenses ⁷	0.63%	, 0		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-7.90%	-6.80%	+16.08%	+41.15%
Average Annual Total Return ²	-8.80%	-7.70%	+3.03%	+3.51%
Avg. Ann. Total Return (9/30/13) ³		-6.33%	+4.48%	+3.44%
Distribution Rate ⁴	3.20%	, 0		
Taxable Equivalent Distribution Rate ⁵	6.25%	, 0		
30-Day Standardized Yield ⁶	2.88%	, 0		
Taxable Equivalent Yield ⁵	5.63%	, 0		
Total Annual Operating Expenses ⁷	1.18%	0		
Advisor Class ⁸	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	-7.59%	-6.17%	+19.92%	+49.91%
Average Annual Total Return ²	-7.59%	-6.17%	+3.70%	+4.13%
Avg. Ann. Total Return (9/30/13) ³		-4.83%	+5.14%	+4.05%
Distribution Rate ⁴	3.94%	, 0		
Taxable Equivalent Distribution Rate ⁵	7.70%	/ 0		
30-Day Standardized Yield ⁶	3.55%	0		
Taxable Equivalent Yield ⁵	6.94%	/ 0		
•	0.5 . /			

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.

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. Since the Fund concentrates its investments in a single state, it is subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified fund. 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 is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

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

- 1. Cumulative total return represents the change in value of an investment over the periods indicated.
- 2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not
- 3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 4. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 8/31/13.
- 5. Taxable equivalent distribution rate and yield assume the published rates as of 6/24/13 for the maximum combined effective federal and New Jersey personal income tax rate of 48.82%, based on the federal income tax rate of 39.60% plus 3.8% Medicare tax.
- 6. The 30-day standardized yield for the 30 days ended 8/31/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
- 7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 8. Effective 7/1/08, 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 7/1/08, 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 7/1/08, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 7/1/08 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +21.07% and +3.77%.

Your Fund's Expenses

Franklin New Jersey 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 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$ 923.60	\$2.96
Hypothetical (5% return before expenses)	\$1,000	\$1,022.13	\$3.11
Class C			
Actual	\$1,000	\$ 921.00	\$5.62
Hypothetical (5% return before expenses)	\$1,000	\$1,019.36	\$5.90
Advisor Class			
Actual	\$1,000	\$ 924.10	\$2.47
Hypothetical (5% return before expenses)	\$1,000	\$1,022.63	\$2.60

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

Financial Highlights

Franklin Double Tax-Free Income Fund

	Six Months End August 31, 201		Yea	r Ended Febru	uary 28,	
Class A	(unaudited)	2013	2012a	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.15	\$12.31	\$11.12	\$11.56	\$10.54	\$11.10
Income from investment operations ^b :						
Net investment income ^c	0.25	0.49	0.52	0.52	0.51	0.50
Net realized and unrealized gains (losses)	(2.05)	(0.18)	1.20	(0.44)	1.02	(0.57)
Total from investment operations	(1.80)	0.31	1.72	0.08	1.53	(0.07)
Less distributions from net investment income	(0.24)	(0.47)	(0.53)	(0.52)	(0.51)	(0.49)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$10.11	\$12.15	\$12.31	\$11.12	\$11.56	\$10.54
Total return ^f	(14.98)%	2.58%	15.85%	0.56%	14.78%	(0.62)%
Ratios to average net assets ^g						
Expenses	0.64%	0.66%	0.67%	0.67%	0.69%	0.68%
Net investment income	4.28%	3.96%	4.49%	4.42%	4.64%	4.58%
Supplemental data						
Net assets, end of period (000's)	\$412,710	\$601,374	\$643,529	\$523,391	\$507,856	\$468,062
Portfolio turnover rate	4.73%	12.60%	6.73%	12.85%	18.53%	14.45%

^aFor the year ended February 29.

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.

^cBased on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Double Tax-Free Income Fund

	Six Months End August 31, 201		Yea	[·] Ended Febru	ary 28,	
Class C	(unaudited)	2013	2012ª	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.20	\$12.37	\$11.17	\$11.61	\$10.58	\$11.14
Income from investment operations ^b :						
Net investment income ^c	0.22	0.42	0.46	0.45	0.45	0.44
Net realized and unrealized gains (losses)	(2.06)	(0.19)	1.21	(0.44)	1.03	(0.57)
Total from investment operations	(1.84)	0.23	1.67	0.01	1.48	(0.13)
Less distributions from net investment income	(0.21)	(0.40)	(0.47)	(0.45)	(0.45)	(0.43)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$10.15	\$12.20	\$12.37	\$11.17	\$11.61	\$10.58
Total return ^f	(15.25)%	1.91%	15.26%	(0.01)%	14.21%	(1.17)%
Ratios to average net assets ^g						
Expenses	1.20%	1.21%	1.22%	1.22%	1.24%	1.23%
Net investment income	3.72%	3.41%	3.94%	3.87%	4.09%	4.03%
Supplemental data						
Net assets, end of period (000's)	\$75,641	\$116,050	\$116,229	\$95,163	\$90,262	\$72,413
Portfolio turnover rate	4.73%	12.60%	6.73%	12.85%	18.53%	14.45%

^aFor the year ended February 29.

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.

^cBased on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Double Tax-Free Income Fund

	Six Months Ended August 31, 2013		Year Ended	February 28,	
Advisor Class	(unaudited)	2013	2012a	2011	2010b
Per share operating performance (for a share outstanding throughout the period)					
Net asset value, beginning of period	\$12.17	\$12.33	\$11.13	\$11.57	\$10.78
Income from investment operations ^c :					
Net investment incomed	0.26	0.50	0.54	0.53	0.33
Net realized and unrealized gains (losses)	(2.06)	(0.17)	1.20	(0.44)	0.78
Total from investment operations	(1.80)	0.33	1.74	0.09	1.11
Less distributions from net investment income	(0.25)	(0.49)	(0.54)	(0.53)	(0.32)
Net asset value, end of period	\$10.12	\$12.17	\$12.33	\$11.13	\$11.57
Total returne	(15.01)%	2.68%	16.04%	0.67%	10.38%
Ratios to average net assets ^f					
Expenses	0.55%	0.56%	0.57%	0.57%	0.59%
Net investment income	4.37%	4.06%	4.59%	4.52%	4.74%
Supplemental data					
Net assets, end of period (000's)	\$9,558	\$14,637	\$13,766	\$4,104	\$2,538
Portfolio turnover rate	4.73%	12.60%	6.73%	12.85%	18.53%

^aFor the year ended February 29.

bFor the period July 15, 2009 (effective date) to February 28, 2010.

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.

dBased on average daily shares outstanding.

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

^fRatios are annualized for periods less than one year.

Statement of Investments, August 31, 2013 (unaudited)

Franklin Double Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds 97.1%		
U.S. Territories 97.1%		
Guam 19.6%		
Guam Education Financing Foundation COP, 5.00%, 10/01/23	\$ 2,500,000	\$ 2,501,326
Guam Government Business Privilege Tax Revenue,		
Series A, 5.25%, 1/01/36	5,000,000	4,980,100
Series A, 5.125%, 1/01/42	22,040,000	21,041,147
Series B-1, 5.00%, 1/01/42	7,315,000	6,902,507
Guam Government Hotel Occupancy Tax Revenue, Refunding, Series A, 6.50%, 11/01/40	10,380,000	11,040,480
Guam Government Limited Obligation Revenue, Section 30, Series A,		
5.375%, 12/01/24	5,195,000	5,339,889
5.625%, 12/01/29	3,850,000	3,903,130
5.75%, 12/01/34	10,430,000	10,620,243
Guam International Airport Authority Revenue,		
^a General, Refunding, Series B, AGMC Insured, 5.50%, 10/01/33	2,000,000	1,985,500
^a General, Refunding, Series B, AGMC Insured, 5.75%, 10/01/43	3,000,000	3,002,130
Series A, NATL Insured, 5.25%, 10/01/20	1,725,000	1,726,397
Series C, NATL Insured, 5.00%, 10/01/23	5,000,000	4,941,450
Guam Power Authority Revenue, Refunding, Series A, 5.50%, 10/01/40	19,800,000	19,470,528
		97,454,827
Puerto Rico 67.1%		
Children's Trust Fund Tobacco Settlement Revenue, Asset-Backed Bonds, Refunding, 5.50%,		
5/15/39	5,000,000	4,339,850
Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,	-,,	, ,
6.00%, 7/01/38	3,100,000	2,308,322
Assured Guaranty, 5.125%, 7/01/47	9,480,000	7,638,889
Puerto Rico Commonwealth GO, Public Improvement,	, , , , , , , , , , , , , , , , , , , ,	, ,
Refunding, Series A, 5.50%, 7/01/18	2,395,000	2,438,373
Refunding, Series A, 5.50%, 7/01/32	10,000,000	7,446,900
Refunding, Series A, 5.50%, 7/01/39	8,000,000	5,795,040
Refunding, Series A, 6.00%, 7/01/40	5,000,000	3,761,650
Refunding, Series A, 5.75%, 7/01/41	6,000,000	4,332,720
Refunding, Series B, 5.75%, 7/01/38	4,000,000	2,940,360
Refunding, Series C, 6.00%, 7/01/39	18,950,000	14,339,275
Refunding, Sub Series C-7, NATL Insured, 6.00%, 7/01/27	3,500,000	2,967,090
Refunding, Sub Series C-7, NATL Insured, 6.00%, 7/01/28	1,195,000	994,933
Series A, 6.00%, 7/01/38	3,000,000	2,283,750
Puerto Rico Commonwealth Highways and Transportation Authority Highway Revenue,	-,,	,,
NATL Insured, 5.50%, 7/01/28	5,000,000	4,176,600
Refunding, Series AA-2, 5.30%, 7/01/35	5,750,000	4,072,323
Series Y, Pre-Refunded, 5.50%, 7/01/36	11,850,000	13,443,825
Puerto Rico Commonwealth Highways and Transportation Authority Transportation Revenue,	, ,	-, -,-
Refunding, Series H, 5.45%, 7/01/35	3,980,000	2,878,973
Refunding, Series L, NATL Insured, 5.25%, 7/01/24	2,205,000	1,942,826
Refunding, Series N, FGIC Insured, 5.25%, 7/01/39	13,000,000	9,013,030
Series K, Pre-Refunded, 5.00%, 7/01/40	9,500,000	10,296,195
Puerto Rico Commonwealth Infrastructure Financing Authority Special Tax Revenue,	2,230,000	10,200,100
Refunding, Series C, FGIC Insured, 5.50%, 7/01/22	6,285,000	5,431,811
Series B, 5.00%, 7/01/37	20,750,000	13,748,950
	20,. 00,000	20,. 10,000

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

Municipal Bonds (continued) U.S. Territories (continued) Puerto Rico (continued) Puerto Rico Convention Center District Authority Hotel Occupancy Tax Revenue, Series A, \$26,030,000 \$18,389,154 AMBAC Insured, 5.00%, 7/01/31 \$26,030,000 \$18,389,154 Puerto Rico Electric Power Authority Power Revenue, 6,500,000 6,195,930 Series CCC, 5.25%, 7/01/28 3,000,000 2,381,340 Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects, 5,750,000 5,803,418
Puerto Rico (continued) Puerto Rico Convention Center District Authority Hotel Occupancy Tax Revenue, Series A, \$26,030,000 \$18,389,154 AMBAC Insured, 5.00%, 7/01/31 \$26,030,000 \$18,389,154 Puerto Rico Electric Power Authority Power Revenue, \$26,030,000 6,195,930 Refunding, Series UU, Assured Guaranty, 5.00%, 7/01/26 6,500,000 6,195,930 Series CCC, 5.25%, 7/01/28 3,000,000 2,381,340 Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects,
Puerto Rico Convention Center District Authority Hotel Occupancy Tax Revenue, Series A, AMBAC Insured, 5.00%, 7/01/31 \$26,030,000 \$18,389,154 Puerto Rico Electric Power Authority Power Revenue, Refunding, Series UU, Assured Guaranty, 5.00%, 7/01/26 6,500,000 6,195,930 Series CCC, 5.25%, 7/01/28 3,000,000 2,381,340 Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects,
AMBAC Insured, 5.00%, 7/01/31 \$26,030,000 \$18,389,154 Puerto Rico Electric Power Authority Power Revenue, Refunding, Series UU, Assured Guaranty, 5.00%, 7/01/26 6,500,000 6,195,930 Series CCC, 5.25%, 7/01/28 3,000,000 2,381,340 Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects,
Puerto Rico Electric Power Authority Power Revenue, 6,500,000 6,195,930 Refunding, Series UU, Assured Guaranty, 5.00%, 7/01/26 6,500,000 6,195,930 Series CCC, 5.25%, 7/01/28 3,000,000 2,381,340 Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects,
Refunding, Series UU, Assured Guaranty, 5.00%, 7/01/26 6,500,000 6,195,930 Series CCC, 5.25%, 7/01/28 3,000,000 2,381,340 Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects, 15,000,000 14,851,660
Series CCC, 5.25%, 7/01/28 3,000,000 2,381,340 Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects,
Series WW, 5.50%, 7/01/38 4,965,000 3,663,723 Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects,
Series XX, 5.75%, 7/01/36 15,000,000 11,509,200 Series XX, 5.25%, 7/01/40 21,200,000 14,851,660 Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects, 15,000,000 14,851,660
Series XX, 5.25%, 7/01/40
Puerto Rico HFAR, Capital Fund Modernization Program, Puerto Rico Public Housing Projects,
5.125%, 12/01/27
Puerto Rico Industrial Tourist Educational Medical and Environmental Control Facilities
Financing Authority Educational Facilities Revenue, University Plaza Project, Series A,
NATL Insured, 5.00%, 7/01/33
Puerto Rico Industrial Tourist Educational Medical and Environmental Control Facilities
Financing Authority Industrial Revenue,
Guaynabo Municipal Government Center Project, 5.625%, 7/01/15 1,750,000 1,754,865
Guaynabo Municipal Government Center Project, 5.625%, 7/01/22 3,160,000 3,159,842
Guaynabo Warehouse for Emergencies Project, Series A, 5.15%, 7/01/19
Guaynabo Warehouse for Emergencies Project, Series A, 5.20%, 7/01/24
Puerto Rico Industrial Tourist Educational Medical and Environmental Control Facilities
Financing Authority Revenue,
Ana G. Mendez University System Project, Refunding, 5.00%, 4/01/21
Ana G. Mendez University System Project, Refunding, 5.375%, 12/01/21
Ana G. Mendez University System Project, Refunding, 5.00%, 4/01/22 1,345,000 1,279,902 Ana G. Mendez University System Project, Refunding, 5.00%, 4/01/27 4,000,000 3,523,400
Ana G. Mendez University System Project, Refunding, 5.00%, 4/01/27
Ana G. Mendez University System Project, Refunding, 5.125%, 4/01/32
Auxilio Mutuo Obligated Group, Refunding, Series A, 6.00%, 7/01/33
Cogeneration Facility, AES Puerto Rico Project, 6.625%, 6/01/26
Inter American University of Puerto Rico Project, NATL Insured, 4.375%, 10/01/25 1,000,000 897,580
Inter American University of Puerto Rico Project, NATL Insured, 4.50%, 10/01/29 3,750,000 3,120,413
Inter American University of Puerto Rico Project, Refunding, 5.00%, 10/01/20
Inter American University of Puerto Rico Project, Refunding, 5.00%, 10/01/21 1,000,000 990,810
Inter American University of Puerto Rico Project, Refunding, 5.00%, 10/01/31 1,000,000 870,610
Puerto Rico Infrastructure Financing Authority Revenue, Ports Authority Project, Series B,
5.00%, 12/15/22
5.25%, 12/15/26
6.00%, 12/15/26
Puerto Rico Municipal Finance Agency GO, Series A, AGMC Insured, 5.00%,
8/01/27 3,500,000 3,271,135
8/01/30 3,500,000 3,050,040
Puerto Rico PBA Guaranteed Revenue, Government Facilities,
Refunding, Series M, 6.25%, 7/01/21
Refunding, Series P, 6.50%, 7/01/30
Refunding, Series P, 6.75%, 7/01/36
Refunding, Series Q, 5.625%, 7/01/39
Series I, Pre-Refunded, 5.25%, 7/01/33 50,000 52,052

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

Municipal Bonds (continued) U.S. Territories (continued) Puerto Rico (continued) Puerto Rico Public Finance Corp. Revenue, Commonwealth Appropriation, Refunding, Series B, 5.50%, 8/01/31 \$5,000,000 \$3,762,750 Puerto Rico Sales Tax FICO Sales Tax Revenue, Capital Appreciation, first subordinate, Series A, zero cpn. to 8/01/19, 6.25% thereafter, 8/01/33 7,000,000 4,592,000 first subordinate, Series A, 5.75%, 8/01/37 1,000,000 865,140 first subordinate, Series A, 6.375%, 8/01/39 17,850,000 17,139,748 first subordinate, Series A, 5.50%, 8/01/42 2,000,000 1642,620 Senior Series C, 5.25%, 8/01/40 4,560,000 4,055,983 Series A, 5.25%, 8/01/57 15,000,000 12,567,600 University of Puerto Rico Revenues, System, Refunding, Series P, 5.00%, 6/01/24 6,500,000 5,348,785 6/01/24 6,500,000 3,908,950
Puerto Rico (continued) Puerto Rico Public Finance Corp. Revenue, Commonwealth Appropriation, Refunding, Series B, 5.50%, 8/01/31 \$5,000,000 \$3,762,750 Puerto Rico Sales Tax FICO Sales Tax Revenue, Capital Appreciation, first subordinate, Series A, zero cpn. to 8/01/19, 6.25% thereafter, 8/01/33 7,000,000 4,592,000 first subordinate, Series A, 5.75%, 8/01/37 1,000,000 865,140 first subordinate, Series A, 6.375%, 8/01/39 17,850,000 17,139,748 first subordinate, Series A, 5.50%, 8/01/42 2,000,000 1,642,620 Senior Series C, 5.25%, 8/01/40 4,560,000 4,055,983 Series A, 5.25%, 8/01/57 15,000,000 12,567,600 University of Puerto Rico Revenues, System, Refunding, Series P, 5.00%, 6,500,000 5,348,785
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Capital Appreciation, first subordinate, Series A, zero cpn. to 8/01/19, 6.25% thereafter, 8/01/33 7,000,000 4,592,000 first subordinate, Series A, 5.75%, 8/01/37 1,000,000 865,140 first subordinate, Series A, 6.375%, 8/01/39 17,850,000 17,139,748 first subordinate, Series A, 5.50%, 8/01/42 2,000,000 1,642,620 Senior Series C, 5.25%, 8/01/40 4,560,000 4,055,983 Series A, 5.25%, 8/01/57 15,000,000 12,567,600 University of Puerto Rico Revenues, System, Refunding, Series P, 5.00%, 6/01/24 6,500,000 5,348,785
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Senior Series C, 5.25%, 8/01/40 4,560,000 4,055,983 Series A, 5.25%, 8/01/57 15,000,000 12,567,600 University of Puerto Rico Revenues, System, Refunding, Series P, 5.00%, 6,500,000 5,348,785
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University of Puerto Rico Revenues, System, Refunding, Series P, 5.00%, 6/01/24 6,500,000 5,348,785
6/01/24 6,500,000 5,348,785
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6/01/26 5,000,000 3,908,950
334,257,588
U.S. Virgin Islands 10.4%
Virgin Islands PFAR,
Gross Receipts Taxes Loan Note, Radian Insured, 5.00%, 10/01/26 5,000,000 5,001,350
Gross Receipts Taxes Loan Note, Radian Insured, 5.00%, 10/01/33 5,220,000 4,941,356
Matching Fund Loan Note, sub. lien, Series B, 5.00%, 10/01/25
senior lien, Capital Projects, Series A-1, 5.00%, 10/01/39
Virgin Islands Matching Fund Loan Note, Diageo Project, Series A, 6.75%, 10/01/37 7,700,000 8,166,312
Virgin Islands Matching Fund Loan Note, senior lien, Series A, 5.25%, 10/01/24 2,000,000 2,053,280
Virgin Islands Matching Fund Loan Note, Series A, 6.00%, 10/01/39 6,000,000 6,168,360
Virgin Islands Matching Fund Loan Note, sub. lien, Working Capital, Refunding, Series B,
5.25%, 10/01/29
Virgin Islands Port Authority Marine Revenue, Series A, AGMC Insured, 5.00%, 9/01/23 10,000,000 10,000,500
Virgin Islands Water and Power Authority Electric System Revenue, Series B, AGMC Insured,
5.00%, 7/01/22
51,965,742
Total Municipal Bonds (Cost \$556,590,463) 97.1% 483,678,157
Other Assets, less Liabilities 2.9% 14,230,629
Net Assets 100.0%

See Abbreviations on page 194.

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

Financial Highlights

Franklin Federal Intermediate-Term Tax-Free Income Fund

	Six Months Ende		Y	/ear Ended Febr	uary 28,	
Class A	(unaudited)	2013	2012ª	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.59	\$12.39	\$11.43	\$11.59	\$10.99	\$11.04
Income from investment operations ^b :						
Net investment income ^c	0.16	0.34	0.38	0.40	0.43	0.43
Net realized and unrealized gains (losses)	(0.79)	0.19	0.97	(0.15)	0.61	(0.05)
Total from investment operations	(0.63)	0.53	1.35	0.25	1.04	0.38
Less distributions from net investment income	(0.16)	(0.33)	(0.39)	(0.41)	(0.44)	(0.43)
Redemption fees ^d		_	_	_	_	е
Net asset value, end of period	\$11.80	\$12.59	\$12.39	\$11.43	\$11.59	\$10.99
Total return ^f	(5.05)%	4.35%	12.02%	2.12%	9.61%	3.48%
Ratios to average net assets ^g						
Expenses	0.63%	0.65%	0.66%	0.66%	0.67%	0.68%
Net investment income	2.67%	2.71%	3.23%	3.45%	3.76%	3.91%
Supplemental data						
Net assets, end of period (000's)	\$1,982,437	\$2,252,973	\$1,832,750	\$1,492,832	\$1,390,805	\$873,648
Portfolio turnover rate	3.60%	1.81%	6.01%	10.11%	3.68%	13.05%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Federal Intermediate-Term Tax-Free Income Fund

	Six Months End August 31, 20		Yea			
Class C	(unaudited)	2013	2012a	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.62	\$12.42	\$11.46	\$11.61	\$11.01	\$11.06
Income from investment operations ^b :						
Net investment income ^c	0.13	0.27	0.32	0.34	0.36	0.37
Net realized and unrealized gains (losses)	(0.80)	0.19	0.97	(0.15)	0.61	(0.05)
Total from investment operations	(0.67)	0.46	1.29	0.19	0.97	0.32
Less distributions from net investment income	(0.12)	(0.26)	(0.33)	(0.34)	(0.37)	(0.37)
Redemption feesd		_	_	_	_	e
Net asset value, end of period	\$11.83	\$12.62	\$12.42	\$11.46	\$11.61	\$11.01
Total return ^f	(5.31)%	3.77%	11.38%	1.63%	8.98%	2.90%
Ratios to average net assetsg						
Expenses	1.18%	1.20%	1.21%	1.21%	1.22%	1.23%
Net investment income	2.12%	2.16%	2.68%	2.90%	3.21%	3.36%
Supplemental data						
Net assets, end of period (000's)	\$474,630	\$548,013	\$445,913	\$357,180	\$257,249	\$91,164
Portfolio turnover rate	3.60%	1.81%	6.01%	10.11%	3.68%	13.05%

^aFor the year ended February 29.

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.

^cBased on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Federal Intermediate-Term Tax-Free Income Fund

	Six Months Ende August 31, 201		Yea	r Ended Febr	uary 28,	
Advisor Class	(unaudited)	2013	2012a	2011	2010	2009b
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.61	\$12.41	\$11.45	\$11.60	\$11.00	\$10.58
Income from investment operationsc:						
Net investment incomed	0.17	0.35	0.40	0.41	0.44	0.11
Net realized and unrealized gains (losses)	(0.80)	0.20	0.96	(0.14)	0.61	0.42
Total from investment operations	(0.63)	0.55	1.36	0.27	1.05	0.53
Less distributions from net investment income	(0.16)	(0.35)	(0.40)	(0.42)	(0.45)	(0.11)
Net asset value, end of period	\$11.82	\$12.61	\$12.41	\$11.45	\$11.60	\$11.00
Total return ^e	(5.00)%	4.45%	12.10%	2.30%	9.70%	5.00%
Ratios to average net assets ^f						
Expenses	0.53%	0.55%	0.56%	0.56%	0.57%	0.58%
Net investment income	2.77%	2.81%	3.33%	3.55%	3.86%	4.01%
Supplemental data						
Net assets, end of period (000's)	\$1,171,992	\$1,146,322	\$792,857	\$435,837	\$144,745	\$5,769
Portfolio turnover rate	3.60%	1.81%	6.01%	10.11%	3.68%	13.05%

^aFor the year ended February 29.

^bFor the period December 1, 2008 (effective date) to February 28, 2009.

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.

dBased on average daily shares outstanding.

 $[\]ensuremath{^{\text{e}}}\textsc{Total}$ return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

Statement of Investments, August 31, 2013 (unaudited)

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds 96.6%		
Alabama 2.3%		
Alabama State Public School and College Authority Revenue, Capital Improvement, Refunding,		
Series A, 5.00%, 5/01/19	\$ 7,750,000	\$ 8,857,940
Chatom IDB Gulf Opportunity Zone Revenue, PowerSouth Energy Cooperative, Refunding,		
Series A, Assured Guaranty, 5.00%,		
8/01/20	3,535,000	4,022,512
8/01/21	3,535,000	3,963,548
8/01/22	3,535,000	3,903,276
East Alabama Health Care Authority Health Care Facilities Revenue, Mandatory Put 9/01/18,		
Series A, 5.25%, 9/01/36	10,000,000	10,991,500
Series B, 5.50%, 9/01/33	13,500,000	15,099,480
Huntsville Health Care Authority Revenue, Series A, NATL Insured, Pre-Refunded, 5.00%,		
6/01/17	2,900,000	3,130,376
Jefferson County GO, Capital Improvement wts., Series A, NATL Insured, 5.00%, 4/01/17	2,195,000	2,148,839
Jefferson County Limited Obligation School wts. Revenue, Series A, 5.25%, 1/01/16	2,000,000	2,005,540
Shelby County Board of Education Revenue, Capital Outlay School wts., 5.00%,	5 050 000	5 000 000
2/01/22	5,250,000	5,802,930
2/01/23	5,520,000	6,048,319
2/01/24	5,055,000	5,497,616
2/01/25 Carrier A. NATI, Insured Dre Defunded E 009/	5,920,000	6,362,757
University of Alabama General Revenue, Series A, NATL Insured, Pre-Refunded, 5.00%,	4.070.000	4 220 427
7/01/15	4,070,000	 4,220,427
		 82,055,060
Alaska 0.1%		
Matanuska-Susitna Borough Lease Revenue, Goose Creek Correctional Center Project,		
Assured Guaranty, 5.00%, 9/01/19	3,650,000	4,178,630
Arizona 5.5%		
Arizona Health Facilities Authority Revenue, Banner Health,		
Series A, 5.00%, 1/01/22	8,000,000	8,483,760
Series D, 5.50%, 1/01/22	5,000,000	5,445,800
Series D, 5.00%, 1/01/23	5,000,000	5,322,950
Arizona School Facilities Board COP,	-,,	-,,
5.25%, 9/01/19	10,000,000	11,317,400
Refunding, Series A-3, Assured Guaranty, 5.00%, 9/01/19	16,185,000	18,345,536
Series B, NATL RE, FGIC Insured, 4.00%, 9/01/13	5,000,000	5,000,000
Arizona State Board of Regents Arizona State University System Revenue, Series C, 5.75%,	.,,	.,,
7/01/20	500,000	571,660
7/01/21	500,000	563,915
Arizona State COP, Department of Administration,	,	,
Series A, AGMC Insured, 5.00%, 10/01/19	5,650,000	6,376,590
Series A, AGMC Insured, 5.25%, 10/01/21	10,000,000	10,989,800
Series A, AGMC Insured, 5.25%, 10/01/22	40,910,000	44,654,492
Series B, AGMC Insured, 5.00%, 10/01/20	14,860,000	16,611,102
Arizona State Health Facilities Authority Hospital Revenue, Phoenix Children's Hospital,	•	•
Refunding, Series A, 5.00%, 2/01/27	6,000,000	5,890,560

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Arizona (continued)			
Arizona State Transportation Board Highway Revenue, Subordinated, Refunding, Series A,			
5.00%,			
7/01/24	\$ 5,000,000	\$	5,556,100
7/01/24	6,000,000		6,692,220
7/01/25	5,000,000		5,491,150
Arizona State University COP, Research Infrastructure Projects, AMBAC Insured, Pre-Refunded,			
5.25%, 9/01/16	2,505,000		2,629,148
Glendale IDA Hospital Revenue, John C. Lincoln Health Network, Refunding, Series B, 5.00%,			
12/01/18	5,605,000		5,834,581
Maricopa County Hospital Revenue, Sun Health Corp., Pre-Refunded, 5.00%, 4/01/18	2,000,000		2,144,040
Phoenix Civic Improvement Corp. Airport Revenue, junior lien, Series A, 5.00%,			
7/01/19	1,900,000		2,181,333
7/01/20	1,300,000		1,486,862
7/01/21	4,200,000		4,689,846
Pima County Sewer System Revenue,			
Series A, AGMC Insured, 5.00%, 7/01/24	2,250,000		2,466,562
Series B, 5.00%, 7/01/24	6,030,000		6,618,046
Series B, 5.00%, 7/01/25	4,500,000		4,849,605
Scottsdale IDA Hospital Revenue, Scottsdale Healthcare, Refunding, Series A, 5.00%,			
9/01/21	4,000,000		4,119,080
Tempe IDA Lease Revenue, State University Foundation, AMBAC Insured, 4.00%,			
7/01/15	1,000,000		1,000,830
7/01/16	1,000,000		1,000,530
University Medical Center Corp. Hospital Revenue, Tucson, 6.00%, 7/01/24	2,000,000		2,201,440
		1	198,534,938
Arkansas 0.2%			
Arkansas State Development Finance Authority Revenue, State Agencies Facilities, Arkansas			
Department of Correction Project, Series B, AGMC Insured, Pre-Refunded, 5.00%,			
11/01/17	1,955,000		2,147,372
11/01/19	1,065,000		1,169,796
Fort Smith Sales and Use Tax Revenue, Refunding and Improvement, 5.00%, 5/01/23	5,000,000		5,489,100
	, ,		
			8,806,268
California 10.8%			
California Health Facilities Financing Authority Revenue,			
Catholic Healthcare West, Series L, 5.125%, 7/01/22	6,320,000		6,655,213
Providence Health and Services, Series C, 6.00%, 10/01/18	500,000		591,500
Scripps Health, Series A, 5.00%, 10/01/21	5,000,000		5,403,600
California State GO,			
Pre-Refunded, 5.25%, 11/01/17	7,680,000		7,740,058
Refunding, 5.00%, 8/01/21	20,000,000		22,014,000
Refunding, 5.25%, 9/01/25	15,000,000		16,508,250
Refunding, 5.00%, 10/01/25	15,000,000		16,382,400
Various Purpose, 5.50%, 4/01/21	20,000,000		22,823,000
Various Purpose, 5.25%, 10/01/23	25,050,000		28,372,381
Various Purpose, 5.25%, 10/01/24	9,780,000		10,901,473
Various Purpose, 5.25%, 10/01/25	5,000,000		5,507,100
Various Purpose, Pre-Refunded, 5.25%, 11/01/17	2,320,000		2,338,328
Various Purpose, XLCA Insured, 5.00%, 11/01/22	4,805,000		5,328,313

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
California State Health Facilities Financing Authority Revenue, Sutter Health, Refunding,		
Series B,		
5.00%, 8/15/22	\$ 4,000,000	\$ 4,453,000
5.25%, 8/15/23	13,000,000	14,552,980
California State Public Works Board Lease Revenue, Various Capital Projects,		
Series A, 5.00%, 10/01/20	2,000,000	2,306,820
Series A, 5.25%, 10/01/22	3,300,000	3,737,679
Series A, 5.25%, 10/01/23	5,365,000	5,897,369
Series A, 5.25%, 10/01/24	3,000,000	3,308,640
Series A, 5.25%, 10/01/25	3,000,000	3,245,670
Series G, Sub Series G-1, 5.25%, 10/01/18	5,605,000	6,520,577
Series G, Sub Series G-1, 5.25%, 10/01/19	10,000,000	11,737,000
Series G, Sub Series G-1, 5.00%, 10/01/21	15,055,000	16,776,690
Series I, 5.00%, 11/01/18	4,000,000	4,614,640
Series I, 5.25%, 11/01/20	5,000,000	5,736,750
California Statewide CDA Revenue,		
Enloe Medical Center, Series A, California Mortgage Insured, 5.25%, 8/15/19	1,990,000	2,242,033
Enloe Medical Center, Series A, California Mortgage Insured, 5.375%, 8/15/20	1,650,000	1,840,047
Sutter Health, Refunding, Series A, 5.25%, 8/15/24	4,000,000	4,428,160
El Dorado Irrigation District COP, Refunding, Series A, Assured Guaranty,		
5.00%, 8/01/22	2,610,000	2,779,885
5.25%, 8/01/23	2,860,000	3,061,802
Livermore-Amador Valley Water Management Agency Sewer Revenue, Refunding, 5.00%,		
8/01/24	5,660,000	6,087,839
8/01/25	4,765,000	5,058,524
Los Angeles Department of Water and Power Revenue, Power System, Refunding,		
Series A, 5.00%, 7/01/26	11,025,000	12,072,926
Series B, 5.25%, 7/01/24	17,000,000	18,770,550
Los Angeles Municipal Improvement Corp. Lease Revenue, Capital Equipment, Refunding,		
Series A, Assured Guaranty,		
5.00%, 4/01/17	3,215,000	3,564,631
5.25%, 4/01/18	2,495,000	2,816,131
5.25%, 4/01/19	3,180,000	3,591,556
Los Angeles USD, GO,	6 700 000	7 105 107
Election of 2004, Series F, FGIC Insured, 5.00%, 7/01/24	6,700,000	7,195,197
Election of 2005, Series F, 5.00%, 7/01/22	5,675,000	6,315,424
Orange County Airport Revenue, 5.00%,	2.465.000	2.015.024
7/01/20	3,465,000	3,815,034
7/01/21	7,545,000	8,160,898
San Diego Community College District GO, Refunding, 5.00%, 8/01/25	21,370,000	23,392,884
San Francisco City and County COP, Multiple Capital Improvement Projects, Series A,	4 000 000	4 177 600
5.00%, 4/01/25	4,000,000	4,177,600
5.25%, 4/01/26	2,500,000	2,610,200
San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Capital Appreciation,	3 000 000	2 077 000
Refunding, Series A, 5.65%, 1/15/17	3,000,000	3,077,880
San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%,	10,000,000	10 262 200
8/01/21 8/01/22	10,000,000 10,000,000	10,263,300 10,180,400
0/01/22	10,000,000	10,100,400

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
Tulare Joint UHSD, GO, Election of 2004, Series A, NATL Insured, 5.00%, 8/01/16 Tuolumne Wind Project Authority Revenue, Tuolumne Co. Project, Series A, 5.25%,	\$ 2,870,000	\$ 3,001,073
1/01/23	8,000,000	8,743,120
Val Verde USD, COP, Centralized Support Services and District Office Facilities Project, FGIC Insured, ETM, 5.00%, 1/01/15	1,000,000	1,060,320
		391,760,845
Colorado 2.2%		
Adams County PCR, Public Service Co. of Colorado Project, Refunding, Series A,		
NATL Insured, 4.375%, 9/01/17	17,000,000	17,820,760
Denver City and County Airport System Revenue, Subordinate, Series B, 5.25%,		
11/15/26	5,000,000	5,324,650
11/15/27 Denver City and County Excise Tax Revenue, Refunding, Series A, AGMC Insured, 5.00%,	4,250,000	4,472,488
9/01/20	10,090,000	11,483,328
5.50%, 9/01/24	8,000,000	8,342,400
Public Authority for Colorado Energy Natural Gas Purchase Revenue, 5.75%, 11/15/18	3,885,000	4,224,316
Regional Transportation District COP, Refunding, Series A, 5.00%, 6/01/26	14,000,000	14,692,580
11/01/24	5,000,000	5,595,450
11/01/25	5,870,000	6,481,771
		78,437,743
Connecticut 1.0%		
Connecticut State Revolving Fund General Revenue, Series A, 5.00%, 3/01/26	6,015,000	6,651,146
Series A, 5.00%, 1/01/24	26,040,000	29,078,868
		35,730,014
Florida 9.1%		
Broward County School Board COP, Master Lease Purchase Agreement, Series A,		
AGMC Insured, 5.00%, 7/01/16	5,915,000	6,350,048
10/01/24	6,000,000	6,758,880
10/01/25	6,325,000	7,020,497
5.00%, 6/01/16	40,415,000	44,378,903
5.25%, 6/01/17	3,250,000	3,639,805
6.00%, 6/01/17	5,000,000	5,744,150
Collier County School Board COP, Master Lease Program, AGMC Insured, 5.00%, 2/15/22 Hillsborough County Capacity Assessment Special Assessment Revenue, NATL RE,	5,075,000	5,401,272
FGIC Insured, 5.00%, 3/01/19	5,000,000	5,229,500
Hillsborough County IDA, PCR, Tampa Electric Co. Project, Series A, 5.65%, 5/15/18 Jacksonville Capital Improvement Revenue, Refunding, 5.00%,	6,500,000	7,349,030
10/01/25	7,295,000	7,914,637
10/01/26	7,350,000	7,927,636

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Florida (continued)		
Jacksonville Sales Tax Revenue, Better Jacksonville, Refunding, Series A, 5.00%,		
10/01/28	\$ 6,000,000	\$ 6,087,180
Marion County Public Improvement Revenue, Refunding, NATL Insured, 4.30%, 12/01/13	1,800,000	1,804,104
Miami-Dade County Aviation Revenue, Miami International Airport, Refunding, Series A,		
4.25%, 10/01/18	6,920,000	7,611,170
4.50%, 10/01/19	4,805,000	5,331,772
5.00%, 10/01/21	5,000,000	5,555,450
5.00%, 10/01/22	5,890,000	6,435,237
5.25%, 10/01/23	4,875,000	5,363,573
Miami-Dade County School Board COP, Master Lease Purchase Agreement, Series A,		
Assured Guaranty, 5.00%, 2/01/23	12,115,000	13,033,438
Miami-Dade County Transit System Sales Surtax Revenue, 5.00%,		
7/01/24	2,250,000	2,400,233
7/01/25	3,000,000	3,175,230
7/01/26	4,000,000	4,197,520
7/01/27	4,000,000	4,114,680
Miami-Dade County Water and Sewer System Revenue, Refunding, Series B, 5.00%,		
10/01/27	15,000,000	15,762,900
Orange County School Board COP, Master Lease Purchase Agreement, Series B, NATL RE,		
FGIC Insured, 5.00%,		
8/01/18	5,150,000	5,583,887
8/01/19	5,985,000	6,468,109
Orlando Utilities Commission Utility System Revenue, Refunding, Series A, 5.00%,		
10/01/23	4,000,000	4,527,280
10/01/24	16,385,000	18,289,428
10/01/25	2,000,000	2,193,980
Orlando-Orange County Expressway Authority Revenue, Refunding,		
AGMC Insured, 5.00%, 7/01/24	9,355,000	10,087,403
Series B, AGMC Insured, 5.00%, 7/01/22	7,500,000	8,395,575
Series B, AGMC Insured, 5.00%, 7/01/23	10,000,000	11,131,700
Series B, AGMC Insured, 5.00%, 7/01/24	14,650,000	16,028,858
Palm Beach County School Board COP, Master Lease Purchase Agreement, Series E,		
NATL Insured, 5.00%, 8/01/21	6,060,000	6,620,247
Palm Beach County Solid Waste Authority Revenue, Refunding, 5.00%, 10/01/23	17,290,000	19,035,771
Palm Beach County Water and Sewer Revenue, Refunding, 5.00%,		
10/01/24	700,000	803,194
10/01/25	1,690,000	1,915,852
10/01/26	1,250,000	1,400,088
10/01/27	2,150,000	2,369,859
10/01/28	1,240,000	1,348,376
Pasco County Solid Waste Disposal and Resource Recovery System Revenue, Series D,		
AGMC Insured, 5.00%,		
10/01/22	9,490,000	10,086,352
10/01/24	10,455,000	11,039,644
South Miami Health Facilities Authority Hospital Revenue, Baptist Health South Florida		
Obligated Group, 5.00%, 8/15/19	5,000,000	 5,506,200
		331,418,648

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value	
Municipal Bonds (continued)			
Georgia 1.0%			
Atlanta Tax Allocation, Atlantic Station Project, Refunding, Assured Guaranty, 5.25%,			
12/01/20	\$ 1,500,000	\$ 1,583,730	
12/01/21	1,000,000	1,048,230	Э
Atlanta Water and Wastewater Revenue, Refunding, Series B, AGMC Insured, 5.00%,			
11/01/20	8,575,000	9,670,799	
11/01/21	9,230,000	10,205,519	J
Baldwin County Hospital Authority Revenue, Oconee Regional Medical Center, 5.30%,	1,020,000	1 001 00	1
12/01/13	1,020,000	1,021,601	1
1/01/20	10,000,000	11,390,500	Λ
South Georgia Governmental Services Authority Revenue, Telecommunications/Cable Systems	10,000,000	11,390,300	J
Projects, NATL RE, FGIC Insured, 5.00%, 1/01/16	2,650,000	2,724,015	5
,	2,000,000		
		37,644,394	+
Illinois 5.8%			
Chicago Board of Education GO, Unlimited Tax, Dedicated Revenues, Refunding, Series B,			
AMBAC Insured, 5.00%, 12/01/21	16,015,000	16,734,394	4
Chicago GO,	00.400.000	00 100 50	_
Project and Refunding, Series A, AGMC Insured, 5.00%, 1/01/20	22,490,000	23,103,527	
Project and Refunding, Series A, AMBAC Insured, 5.00%, 1/01/21	10,280,000	10,519,113	
Refunding, Series A, 5.00%, 1/01/22	10,935,000	11,341,891	
Refunding, Series C, 5.00%, 1/01/24	15,185,000 5,500,000	15,359,172 5,757,840	
Chicago O'Hare International Airport Revenue, General, third lien,	3,300,000	3,737,640	J
Refunding, Series B, AGMC Insured, 5.00%, 1/01/18	10,670,000	11,686,424	4
Refunding, Series B, AGMC Insured, 5.00%, 1/01/20	7,850,000	8,453,429	
Series C, AGMC Insured, 5.25%, 1/01/22	5,215,000	5,694,311	
Chicago Transit Authority Capital Grant Receipts Revenue, Federal Transit Administration	, , , , , , , ,	,,,,,	
Section 5307, Refunding, AGMC Insured, 5.25%, 6/01/25	6,125,000	6,381,331	1
Cook County GO, Refunding, Series A, 5.25%, 11/15/22	12,395,000	13,585,664	4
Illinois Finance Authority Revenue, Rush University Medical Center Obligated Group, Series A,			
6.75%, 11/01/24	5,000,000	5,659,400	J
Illinois State GO,			
5.50%, 7/01/26	7,000,000	7,318,290	
Refunding, AGMC Insured, 5.00%, 1/01/19	12,000,000	13,141,080	
Series A, AGMC Insured, 5.00%, 4/01/25	18,000,000	18,314,460	C
Illinois State Sales Tax Revenue, Build Illinois, Junior Obligation, Refunding, 5.00%,	14 000 000	1 4 0 4 2 5 0 7	_
6/15/26	14,000,000	14,843,500	J
Metropolitan Pier and Exposition Authority Revenue, McCormick Place Expansion Project, Refunding, Series B, 5.00%,			
12/15/22	5,000,000	5,653,000	Λ
12/15/22	2,000,000	2,194,260	
6/15/23	4,000,000	4,440,320	
Southwestern Illinois Development Authority Revenue, Local Government Program,	1,000,000	1,440,520	_
Edwardsville Community Unit School District No. 7 Project, AGMC Insured, 5.00%,			
12/01/19	11,005,000	12,141,927	7
		212,323,333	

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Kentucky 0.8%		
Kentucky Asset/Liability Commission Agency Fund Revenue, Project Notes, Federal Highway		
Trust, First Series A, 5.00%, 9/01/20	\$ 6,000,000	\$ 6,804,060
Kentucky State Property and Buildings Commission Revenues, Project No. 87, Refunding,		
NATL RE, FGIC Insured, 5.00%, 3/01/23	11,000,000	11,761,200
Kentucky State Turnpike Authority Economic Development Road Revenue, 5.00%, 7/01/22	1,000,000	1,124,260
Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue, Refunding, Series A, 5.00%, 5/15/24	7,000,000	7,710,640
Revenue, Refunding, Series A, 5.00%, 5/15/24	7,000,000	
		 27,400,160
Louisiana 1.5%		
Jefferson Sales Tax District Special Sales Tax Revenue, Parish of Jefferson, Refunding,		
Series B, Assured Guaranty, 5.00%, 12/01/21	15,000,000	16,444,200
Louisiana State Citizens Property Insurance Corp. Assessment Revenue, Series B,		
AMBAC Insured, 5.00%, 6/01/19	20,000,000	21,652,000
New Orleans Aviation Board Revenue, Restructuring GARB, Refunding, Series A-1, Assured Guaranty, 6.00%, 1/01/23	2,000,000	2,211,100
New Orleans GO, Public Improvement, Radian Insured, Series A, 5.00%, 12/01/25	7,915,000	8,164,243
Orleans Parish Parishwide School District GO, Refunding, AGMC Insured, 5.00%, 9/01/18	5,000,000	5,595,300
officials Furish Furishmed deficer District do, Nerunding, Namo Historica, 0.0070, 3701/10	3,000,000	
		 54,066,843
Maryland 0.3%		
Maryland State EDC Student Housing Revenue, University of Maryland College Park Projects,		
Refunding, Assured Guaranty, 5.00%, 6/01/19	1 445 000	1,512,612
6/01/20	1,445,000 1,000,000	1,034,560
Maryland State Health and Higher Educational Facilities Authority Revenue,	1,000,000	1,034,300
Peninsula Regional Medical Center Issue, 5.00%, 7/01/18	1,600,000	1,736,544
Peninsula Regional Medical Center Issue, 5.00%, 7/01/19	1,430,000	1,534,876
Peninsula Regional Medical Center Issue, 5.00%, 7/01/20	1,000,000	1,065,990
Washington County Hospital Issue, 5.25%, 1/01/22	1,000,000	1,037,840
Washington County Hospital Issue, 5.25%, 1/01/23	1,250,000	1,287,362
Western Maryland Health System Issue, Refunding, Series A, NATL Insured, 5.00%,		
1/01/19	2,920,000	 3,144,957
		12,354,741
Massachusetts 1.8%		
Massachusetts State Department of Transportation Metropolitan Highway System Revenue,		
Commonwealth Contract Assistance Secured, Subordinated, Series B, 5.00%, 1/01/20	5,000,000	5,729,750
Senior, Refunding, Series B, 5.00%, 1/01/17	5,000,000	5,601,250
Senior, Refunding, Series B, 5.00%, 1/01/18	5,000,000	5,682,450
Massachusetts State Health and Educational Facilities Authority Revenue, CareGroup Issue,		
Capital Asset Program, Series B-2, NATL Insured, 5.375%, 2/01/26	1,720,000	1,860,128
Massachusetts State School Building Authority Dedicated Sales Tax Revenue, Senior, Refunding,		
Series A, 5.00%, 8/15/25	10,975,000	12,167,434
Series A, 5.00%, 8/15/26	7,000,000	7,665,140
Series B, 5.00%, 8/15/27	6,000,000	6,494,220
,,	- /	-,,

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Massachusetts (continued)		
Massachusetts State Water Pollution Abatement Trust Revenue, State Revolving Fund,		
Series 17, Sub Series 17A, 5.00%,		
2/01/24	\$ 9,380,000	\$ 10,758,110
2/01/25	9,750,000	11,030,077
		66,988,559
Michigan 4.1%		
Detroit GO,		
Limited Tax, Distributable State Aid, 5.00%, 11/01/19	6,775,000	7,171,405
Limited Tax, Distributable State Aid, 5.00%, 11/01/20	6,000,000	6,259,740
Unlimited Tax, Series A-1, NATL Insured, 5.00%, 4/01/19	5,000,000	4,702,950
Unlimited Tax, Series B, AGMC Insured, 5.00%, 4/01/18	2,635,000	2,564,646
Unlimited Tax, Series B, AGMC Insured, 5.00%, 4/01/19	2,515,000	2,426,044
Michigan Municipal Bond Authority Revenue, Local Government Loan Program, Group A,	, ,	, , , ,
Refunding, Series B, AMBAC Insured, 5.00%,		
12/01/17	1,000,000	1,054,600
12/01/18	1,000,000	1,044,590
Michigan State Finance Authority Revenue,		
School District of the City of Detroit, Refunding, 5.25%, 6/01/17	10,640,000	11,697,829
School District of the City of Detroit, Refunding, 5.50%, 6/01/21	6,000,000	6,637,620
State Revolving Fund, Clean Water, 5.00%, 10/01/24	5,000,000	5,570,300
State Revolving Fund, Clean Water, Subordinate, Refunding, 5.00%, 10/01/24	7,000,000	7,798,420
Michigan State GO, School Loan, Refunding, Series A, 5.25%, 11/01/22	10,000,000	11,234,600
Michigan State HDA, SFMR, Series A, 5.00%, 12/01/19	6,670,000	6,819,675
Michigan State Hospital Finance Authority Revenue, Trinity Health Credit Group,	10,000,000	11 770 000
Mandatory Put 12/01/17, Refunding, Series A, 6.00%, 12/01/34	10,000,000	11,778,000
Refunding, Series MI, 5.00%, 12/01/24	8,000,000	8,463,600
Michigan State Revenue, Grant Anticipation Bonds, AGMC Insured, 5.25%, 9/15/20	7,500,000	8,340,300
Michigan State Strategic Fund Limited Obligation Revenue,		
Detroit Edison Co. Exempt Facilities Project, Mandatory Put 8/01/16, Refunding,	7 000 000	7 744 500
Series ET, Sub Series ET-2, 5.50%, 8/01/29	7,000,000	7,744,590
10/15/22	4,000,000	4,257,400
Michigan House of Representatives Facilities, Series A, Assured Guaranty, 5.25%,	4,000,000	4,237,400
10/15/23	1,000,000	1,055,800
Royal Oak Hospital Finance Authority Hospital Revenue, William Beaumont Hospital Obligated	1,000,000	1,000,000
Group, Refunding, Series V, 6.25%, 9/01/14	3,000,000	3,154,590
South Lyon Community Schools GO, Refunding, NATL RE, FGIC Insured, 5.00%, 5/01/16	3,040,000	3,331,779
Wayne State University Revenue, Refunding, Series A, 5.00%,	0,0 .0,000	0,001,77
11/15/18	4,265,000	4,947,997
11/15/19	5,210,000	6,037,192
11/15/20	5,255,000	5,851,180
Wayne-Westland Community Schools GO, Unlimited Tax, Refunding, AGMC Insured, 5.00%,	,,	, ,
5/01/16	2,825,000	2,960,176
Wyandotte Electric System Revenue, Refunding, Series A, Assured Guaranty, 5.00%,		
10/01/17	3,955,000	4,398,711
		147,303,734

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Minnesota 0.7%		
Minnesota Agricultural and Economic Development Board Revenue, Health Care Facilities,		
Essentia Health Obligated Group, Series C-1, Assured Guaranty,		
5.00%, 2/15/21	\$ 4,165,000	\$ 4,595,828
5.00%, 2/15/22	5,570,000	6,064,950
5.25%, 2/15/23	5,000,000	5,494,750
Minnesota State General Fund Revenue, Appropriation, Refunding, Series A, 5.00%,		
3/01/24	7,500,000	8,378,400
3/01/25	1,925,000	 2,122,101
		 26,656,029
Missouri 0.6%		
Hannibal IDA Health Facilities Revenue, Hannibal Regional Hospital, Refunding, 5.00%,		
3/01/19	1,675,000	1,721,498
Jackson County Reorganized School District No. 7 Lee's Summit GO, School Building,		
NATL Insured, 5.00%,		
3/01/16	1,020,000	1,042,787
3/01/16	980,000	1,000,727
Missouri Joint Municipal Electric Utility Commission Power Project Revenue, Plum Point		
Project, NATL Insured, 5.00%,		
1/01/17	1,500,000	1,557,855
1/01/19	1,000,000	1,028,850
Springfield Public Utility Revenue, NATL RE, FGIC Insured, 4.50%, 8/01/21	15,245,000	 16,160,005
		 22,511,722
Nevada 1.4%		
Clark County Airport Revenue, System, sub. lien, Series C, AGMC Insured, 5.00%,		
7/01/22	5,000,000	5,505,100
7/01/23	15,000,000	16,423,200
Clark County School District GO, Refunding, Series A, NATL RE, FGIC Insured, 4.50%,		
6/15/19	5,000,000	5,525,550
Clark County Water Reclamation District GO,		
Series A, 5.25%, 7/01/21	3,435,000	3,817,762
Series A, 5.25%, 7/01/22	3,120,000	3,455,400
Series B, 5.25%, 7/01/21	3,430,000	3,812,205
Series B, 5.25%, 7/01/22	3,615,000	4,003,613
Washoe County School District GO, Limited Tax, Refunding, Series A, 5.00%, 6/01/25	6,130,000	 6,624,936
		 49,167,766
New Hampshire 0.2%		
Manchester GARB, Series A, AGMC Insured, 5.00%, 1/01/25	7,930,000	8,230,071
	, ,	
New Jersey 8.5% Hudson County Improvement Authority Facility Lease Revenue, Hudson County Lease Project,		
Refunding, AGMC Insured, 5.375%,		
10/01/22	5,220,000	5,803,439
10/01/23	5,375,000	5,930,990
10/01/24	2,050,000	2,257,645
New Jersey EDA Revenue, School Facilities Construction, Refunding,	_,-50,000	_,, , ,
Series DD-1, 5.00%, 12/15/18	20,000,000	22,722,000
Series EE, 5.25%, 9/01/24	12,210,000	13,379,474

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New Jersey (continued)		
New Jersey Health Care Facilities Financing Authority Revenue, Barnabas Health Issue,		
Refunding, Series A, 5.00%,		
7/01/20	\$10,000,000	\$ 10,739,500
7/01/21	20,535,000	21,774,082
New Jersey State COP, Equipment Lease Purchase Agreement, Series A,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, , ,
5.25%, 6/15/22	10,000,000	10,864,100
5.25%, 6/15/23	17,945,000	19,369,295
AMBAC Insured, 5.00%, 6/15/17	5,000,000	5,149,350
New Jersey State Educational Facilities Authority Revenue, Kean University Issue, Refunding,	.,,	-, -,,
Series A, 5.00%, 9/01/21	6,000,000	6,639,480
New Jersey State Higher Education Assistance Authority Student Loan Revenue,	0,000,000	3,003,100
Refunding, Series 1A, 5.00%, 12/01/17	3,250,000	3,685,338
Refunding, Series 1A, 5.25%, 12/01/19	2,500,000	2,808,700
Refunding, Series 1A, 4.75%, 12/01/21	6,985,000	7,310,571
Refunding, Series 1A, 4.75%, 12/01/22	9,345,000	9,681,046
Series A, 5.375%, 6/01/24	15,000,000	15,795,750
New Jersey State Transportation Trust Fund Authority Revenue,	13,000,000	13,733,730
Transportation Program, Series AA, AGMC Insured, 5.00%, 6/15/26	26,650,000	28,100,026
Transportation System, Refunding, Series A, 5.25%, 12/15/21	10,000,000	11,440,900
Transportation System, Refunding, Series A, 5.50%, 12/15/22	25,000,000	28,823,500
Transportation System, Refunding, Series A, Assured Guaranty, 5.50%, 12/15/22	11,465,000	13,218,457
Transportation System, Series D, AGMC Insured, Pre-Refunded, 5.00%, 6/15/19		
New Jersey State Turnpike Authority Turnpike Revenue, Series H, 5.00%,	5,630,000	6,081,976
1/01/20	10,000,000	11,174,800
1/01/21		, ,
Rutgers State University GO,	20,000,000	22,056,800
Refunding, Series J, 5.00%, 5/01/26	5,000,000	5,451,350
		, ,
Refunding, Series J, 5.00%, 5/01/27	10,830,000	11,671,816
Series L, 5.00%, 5/01/27	5,270,000	5,679,637
		307,610,022
New York 10.5%		
Erie County IDA School Facility Revenue, City School District of the City of Buffalo Project,		
Refunding, 5.00%, 5/01/23	6,235,000	6,957,512
Refunding, 5.00%, 5/01/24	8,000,000	8,813,680
Series A, 5.00%, 5/01/22	14,840,000	16,283,784
Series A, AGMC Insured, 5.75%, 5/01/22	5.000.000	5,637,100
Long Island Power Authority Electric System Revenue, General, Refunding,	0,000,000	0,007,100
Series A, NATL RE, FGIC Insured, 5.00%, 12/01/19	7,000,000	7,502,530
Series B, 5.00%, 9/01/26	5,000,000	5,251,050
Series E, NATL RE, FGIC Insured, 5.00%, 12/01/18	8,500,000	9,267,635
MTA Revenue,	0,300,000	3,207,033
Refunding, Series F, 5.00%, 11/15/26	25,000,000	26,374,250
	, ,	, ,
Transportation, Refunding, Series F, 5.00%, 11/15/15	1,250,000	1,364,538
Transportation, Series A. ACMC Insured, 5,00%, 11/15/20	3,500,000	3,658,445
Transportation, Series A, AGMC Insured, 5.00%, 11/15/20	5,000,000	5,574,850
Transportation, Series A, AGMC Insured, 5.50%, 11/15/20	4,365,000	5,106,264
Transportation, Series C, 5.00%, 11/15/16	1,150,000	1,289,610
Transportation, Series C, 5.75%, 11/15/18	15,000,000	16,727,550

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New York (continued)		
Nassau County Local Economic Assistance and FICO Revenue, Catholic Health Services of		
Long Island Obligated Group Project, Refunding, 5.00%, 7/01/21	\$ 9,000,000	\$ 9,826,290
New York City GO,		, ,
Fiscal 2006, Series J, Sub Series J-1, AGMC Insured, 5.00%, 6/01/20	10,000,000	10,809,300
Fiscal 2008, Refunding, Series G, 5.00%, 8/01/21	7,000,000	7,724,010
Fiscal 2008, Series D, 5.00%, 12/01/21	5,000,000	5,535,700
Fiscal 2012, Refunding, Series I, 5.00%, 8/01/24	11,420,000	12,702,123
Fiscal 2013, Series I, 5.00%, 8/01/24	10,200,000	11,452,968
Series F, 4.75%, 1/15/16	5,000	5,015
Series H, 5.00%, 8/01/16	1,555,000	1,617,418
Series H, 5.00%, 8/01/17	2,345,000	2,435,634
Series H, Pre-Refunded, 5.00%, 8/01/16	1,445,000	1,507,048
Series H, Pre-Refunded, 5.00%, 8/01/17	1,985,000	2,071,149
Series 0, 5.00%, 6/01/19	45,000	47,597
Series O, Pre-Refunded, 5.00%, 6/01/19	4,955,000	5,346,841
New York City Transitional Finance Authority Building Aid Revenue, Fiscal 2009,		
Series S-3, 5.00%, 1/15/23	5,000,000	5,520,300
Series S-4, 5.00%, 1/15/21	4,665,000	5,229,185
New York City Transitional Finance Authority Revenue, Future Tax Secured, Subordinate,		
Fiscal 2003, Refunding, Sub Series A-1, 5.00%, 11/01/23	11,500,000	12,896,100
Fiscal 2011, Series C, 5.00%, 11/01/23	12,805,000	14,363,881
Series C, 5.00%, 11/01/24	7,620,000	8,498,891
New York State Dormitory Authority Lease Revenue, Third General Resolution, State University		
Educational Facilities Issue, Refunding, Series A, 5.00%,		
5/15/23	8,435,000	9,524,380
5/15/24	7,000,000	7,769,790
New York State Dormitory Authority Revenue, Mortgage, St. Barnabas Hospital, Series B,		
FHA Insured, 4.25%, 8/01/14	1,355,000	1,358,347
New York State Dormitory Authority Revenues,		
Non-State Supported Debt, School Districts Revenue, Bond Financing Program, Series A,		
Assured Guaranty, 5.00%, 10/01/24	5,000,000	5,347,650
State Supported Debt, City University System, Consolidated Fifth General Resolution,		
Series A, NATL RE, FGIC Insured, 5.50%, 7/01/23	7,915,000	9,343,420
State Supported Debt, Mental Health Services Facilities Improvement, Refunding,	10,000,000	11 507 400
Series A-1, 5.50%, 2/15/18	10,000,000	11,587,400
State Supported Debt, Mental Health Services Facilities Improvement, Refunding,	2 245 000	2 676 692
Series A-1, 5.00%, 2/15/19	3,245,000	3,676,682
	12,000,000	13,706,040
5.00%, 4/01/21 New York State Thruway Authority General Revenue,	12,000,000	13,700,040
Refunding, Series H, NATL RE, FGIC Insured, 5.00%, 1/01/22	10,000,000	10,949,100
Series I, 5.00%, 1/01/26	10,000,000	10,760,100
New York State Thruway Authority Revenue, Local Highway and Bridge Service Contract,	10,000,000	10,700,100
Refunding, 5.00%, 4/01/19	9,570,000	11,005,787
New York State Thruway Authority State Personal Income Tax Revenue, Transportation,	3,370,000	11,000,707
Refunding, Series A, 5.00%, 3/15/25	11,500,000	12,546,730
New York State Urban Development Corp. Revenue, Service Contract, Refunding, Series A,	11,500,000	12,040,700
Sub Series A-1, 5.00%, 1/01/20	6,500,000	7,436,455
	2,230,000	.,,

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New York (continued)		
Rockland County Solid Waste Management Authority Revenue, Refunding, Series A,		
Assured Guaranty, 5.375%, 12/15/18	\$ 5,365,000	\$ 6,203,442
Suffolk County EDC Revenue, Catholic Health Services of Long Island Obligated Group Project,		
Refunding, 5.00%, 7/01/22	10,000,000	10,707,100
Triborough Bridge and Tunnel Authority Revenues, General, MTA Bridges and Tunnels,		
Refunding, Series B, 5.00%, 11/15/23	10,000,000	11,304,400
		380,625,071
North Carolina 1.6%		
The Charlotte-Mecklenburg Hospital Authority Health Care System Revenue, Carolinas		
HealthCare System, Series AA, AGMC Insured, 5.00%, 1/15/22	10,000,000	10,740,600
North Carolina Eastern Municipal Power Agency Power System Revenue,	10,000,000	10,7 10,000
Refunding, Series A, 5.00%, 1/01/21	10,000,000	11,194,000
Refunding, Series A, Assured Guaranty, 5.25%, 1/01/19	15,000,000	16,948,800
Series C, Assured Guaranty, 6.00%, 1/01/19	2,500,000	2,772,575
North Carolina Municipal Power Agency No. 1 Catawba Electric Revenue, Refunding,	, ,	, ,
Series A, 5.25%, 1/01/20	4,500,000	4,968,855
Series B, 5.00%, 1/01/20	8,000,000	9,082,480
Oak Island Enterprise System Revenue, Assured Guaranty, 5.50%, 6/01/23	1,735,000	1,915,804
		57,623,114
Ohio 6.4%		
Akron Income Tax Revenue, Community Learning Centers, Refunding, Series A, 5.00%,		
12/01/24	5,265,000	5,718,527
12/01/25	6,645,000	7,125,566
12/01/26	8,240,000	8,723,688
American Municipal Power-Ohio Inc. Revenue, Prairie State Energy Campus Project,	-,- :-,	2,1 = 2,1 = 2
Refunding, Series A, 5.25%,		
2/15/20	6,000,000	6,631,320
2/15/21	11,500,000	12,553,975
Cleveland Airport System Revenue, Refunding, Series A, AGMC Insured, 5.00%,		
1/01/25	5,000,000	5,206,850
1/01/26	5,000,000	5,147,150
Cleveland Municipal School District GO, Unlimited Tax, School Improvement, AGMC Insured,		
5.00%,		
12/01/14	1,915,000	1,978,463
12/01/15	1,510,000	1,559,694
12/01/16	1,400,000	1,444,800
Cleveland Water Revenue, second lien, Refunding, Series A, 5.00%,		
1/01/23	1,840,000	2,074,490
1/01/24	1,750,000	1,947,365
1/01/25	2,500,000	2,747,750
1/01/26	2,000,000	2,171,240
Cuyahoga County Recovery Zone Facility EDR, Medical Mart/Convention Center Project,		
Series F, 5.00%, 12/01/20	7 000 000	7,851,340
12/01/20	7,000,000 7,300,000	8,053,433
12/01/21	7,300,000	0,000,400

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Ohio (continued)			
Hamilton City School District GO, School Improvement Unlimited Tax, AGMC Insured, 5.00%,			
12/01/24	\$ 5,000,000	\$	5,323,600
Hamilton County Sewer System Revenue, The Metropolitan Sewer District of Greater Cincinnati,	, ,	-	, ,
Improvement and Refunding, Series A, 5.00%,			
12/01/24	2,500,000		2,824,825
12/01/25	2,400,000		2,672,424
12/01/26	4,000,000		4,389,520
12/01/27	5,000,000		5,420,750
12/01/28	3,000,000		3,221,130
Kent State University Revenues, General Receipts, Series A, 5.00%,			
5/01/23	1,200,000		1,312,728
5/01/24	1,500,000		1,620,150
5/01/25	1,500,000		1,599,705
5/01/26	1,600,000		1,686,064
Lakewood City School District GO, Unlimited Tax, School Improvement, Refunding,			
AGMC Insured, 4.50%, 12/01/22	2,900,000		3,099,230
Mason City School District GO, Unlimited Tax, School Improvement, Refunding, NATL RE,			
FGIC Insured, 5.00%, 12/01/15	2,670,000		2,925,199
Montgomery County Revenue, Miami Valley Hospital, Mandatory Put 11/15/14, Refunding,			
Series B, 5.25%, 11/15/39	4,000,000		4,181,680
Nordonia Hills City School District GO, Unlimited Tax, School Improvement, Refunding,			
NATL RE, FGIC Insured, 4.50%, 12/01/21	2,360,000		2,473,610
Ohio State Building Authority Revenue, State Facilities, Administrative Building Fund Projects,			
Refunding, Series C, 5.00%, 10/01/22	5,780,000		6,395,165
Ohio State GO, Higher Education, Refunding, Series A, 5.00%,			
2/01/24	8,585,000		9,612,024
2/01/25	7,000,000		7,744,940
Ohio State Turnpike Commission Turnpike Revenue, Refunding, Series A, NATL RE,			
FGIC Insured, 5.50%, 2/15/24	10,000,000		11,689,100
Toledo City School District GO, Unlimited Tax, School Facilities Improvement, Refunding,			
Series B, 5.00%,			
12/01/24	2,920,000		3,219,417
12/01/25	4,125,000		4,487,299
12/01/26	4,340,000		4,675,699
12/01/27	4,565,000		4,863,597
Toledo Water System Revenue, Improvement and Refunding, 5.00%,	4 000 000		4 050 000
11/15/25	4,000,000		4,358,880
11/15/26	6,140,000		6,603,509
11/15/27	6,450,000		6,857,059
11/15/28	6,570,000		6,920,378
University of Cincinnati General Receipts Revenue, Series C,	2.010.000		2.060.400
5.00%, 6/01/25	3,010,000		3,269,492
Assured Guaranty, 5.00%, 6/01/21	11,810,000		13,194,132
Assured Guaranty, 5.00%, 6/01/22	11,675,000		12,896,088
Youngstown GO, Limited Tax, AMBAC Insured, 6.125%, 12/01/15	810,000		817,897
		2	231,290,942

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Oregon 1.5%			
Beaverton School District No. 48J GO, Washington and Multnomah Counties, Refunding,			
Series B, 4.00%, 6/15/26	\$18,755,000	\$	18,934,110
Deschutes County Hospital Facilities Authority Hospital Revenue, Cascade Healthcare			
Community Inc., Refunding, 7.375%, 1/01/23	2,000,000		2,404,440
Oregon State Department of Administrative Services COP, Series A, NATL RE, FGIC Insured,			
Pre-Refunded, 5.00%, 11/01/19	2,340,000		2,648,763
Oregon State Department of Transportation Highway User Tax Revenue, senior lien,	10,000,000		11 170 100
Refunding, Series A, 5.00%, 11/15/25	10,000,000		11,170,100
Series A, 5.00%, 11/15/22	5,840,000		6,459,858
6/15/18	3,135,000		3,417,119
6/15/19	3,290,000		3,574,848
Portland Water System Revenue, second lien, Refunding, Series A, 5.00%, 10/01/25	5,000,000		5,583,900
	-,,		
		_	54,193,138
Pennsylvania 4.7%			
Allegheny County Hospital Development Authority Revenue, University of Pittsburgh Medical			
Center, Series A, 5.00%, 5/15/19	9,000,000		10,212,570
Series A, 5.00%, 5/15/20	7,500,000		8,461,500
Series B, 5.00%, 6/15/18	5,000,000		5,133,500
Allegheny County IDAR, Pollution Control, Duquesne Light Co. Project, Refunding, Series A,	0,000,000		0,100,000
AMBAC Insured, 4.35%, 12/01/13	5,000,000		5,037,600
Commonwealth Financing Authority Revenue, Series C-1, AGMC Insured, 5.00%,			
6/01/22	4,130,000		4,527,389
6/01/23	4,345,000		4,714,021
Pennsylvania State Turnpike Commission Turnpike Revenue,			
Series B, 5.00%, 12/01/19	32,230,000		36,478,558
Series E, 5.00%, 12/01/24	5,000,000		5,347,700
Series E, 5.00%, 12/01/25	10,000,000 10,000,000		10,565,900 11,448,600
Subordinate, Returning, Series C, Sub Series C-1, Assured Guaranty, 6.00%, 6/01/23	6,070,000		6,510,014
Philadelphia GO, Refunding, Series A, Assured Guaranty, 5.25%, 8/01/22	20,000,000		21,696,600
Philadelphia Municipal Authority Revenue, Lease, 6.00%, 4/01/22	7,065,000		7,906,795
Philadelphia Water and Wastewater Revenue,	, ,		, ,
Refunding, Series A, AGMC Insured, 5.00%, 6/15/17	10,000,000		11,323,900
Refunding, Series A, AGMC Insured, 5.00%, 6/15/18	5,000,000		5,711,950
Refunding, Series A, AGMC Insured, 5.00%, 6/15/19	5,000,000		5,720,500
Series A, 5.00%, 1/01/20	1,210,000		1,348,968
Series A, 5.25%, 1/01/21	3,655,000		4,060,413
Series A, 5.25%, 1/01/22	2,330,000		2,569,128
			168,775,606
South Carolina 1.6%			
Anderson Water and Sewer System Revenue, Refunding, AGMC Insured, 5.00%,			
7/01/22	2,555,000		2,950,540
7/01/23	2,695,000		3,080,762
7/01/24	2,825,000		3,201,431
7/01/25	2,965,000		3,316,649

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
South Carolina (continued)		
Berkeley County Utility Revenue, Combined Utility System, Refunding, 5.00%,		
6/01/25	\$ 3,665,000	\$ 4,073,611
6/01/26	1,700,000	1,869,031
SCAGO Educational Facilities Corp. for Pickens School District Revenue, Installment Purchase,	5 000 000	5 406 100
School District of Pickens County Project, AGMC Insured, 5.00%, 12/01/18	5,000,000	5,496,100
South Carolina Jobs EDA Hospital Revenue, Palmetto Health, Refunding and Improvement,	6 000 000	6 551 000
5.375%, 8/01/22	6,000,000	6,551,820
South Carolina State Transportation Infrastructure Bank Revenue, Refunding, Series B,		
AGMC Insured, 5.00%,	10.025.000	14.074.061
10/01/25 10/01/26	12,935,000	14,074,961
10/01/26	13,440,000	 14,464,397
		 59,079,302
Tennessee 0.8%		
Memphis GO, General Improvement, Refunding, Series A, 5.00%, 4/01/22	15,805,000	18,294,762
Metropolitan Government of Nashville and Davidson County GO, Improvement, Refunding,		
Series A, 5.00%, 1/01/26	5,000,000	5,541,600
Metropolitan Government of Nashville and Davidson County Water and Sewer Revenue,		
Refunding, 5.00%,		
7/01/26	1,675,000	1,838,396
7/01/27	1,800,000	1,954,062
		27,628,820
Tayon 6 E9/		 , , , , , , ,
Texas 6.5% Austin Water and Wastewater System Payanua, Pafunding		
Austin Water and Wastewater System Revenue, Refunding, 5.00%, 11/15/26	4,835,000	5,238,481
5.00%, 11/15/27	4,000,000	4,279,560
Series A, 5.00%, 11/15/28	5,000,000	5,327,850
Brownsville Utility System Revenue, Refunding and Improvement, Series A, AGMC Insured,	3,000,000	3,327,630
5.00%, 9/01/22	8,455,000	9,060,294
Clear Creek ISD, GO, Refunding, Series A, 5.00%,	0,433,000	3,000,234
2/15/25	11,370,000	12,554,868
2/15/26	12,060,000	13,078,708
Dallas County Utility and Reclamation District GO, Refunding,	12,000,000	10,070,700
Series A, AMBAC Insured, 5.15%, 2/15/21	3,025,000	3,217,904
Series B, AMBAC Insured, 5.15%, 2/15/21	8,025,000	8,536,754
Dallas Waterworks and Sewer System Revenue, Refunding,	3,020,000	3,000,70
5.00%, 10/01/23	5,000,000	5,729,150
AMBAC Insured, 4.50%, 10/01/19	10,000,000	10,989,400
Dallas/Fort Worth International Airport Revenue, Joint, Refunding,	.,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Series A, 5.00%, 11/01/23	1,500,000	1,596,150
Series A, 5.00%, 11/01/24	1,000,000	1,057,890
Series D, 5.25%, 11/01/27	5,000,000	5,223,850
Series D, 5.25%, 11/01/28	2,100,000	2,175,117
Fort Worth GO, General Purpose, Refunding and Improvement, 5.00%,	•	•
3/01/25	6,000,000	6,674,640
3/01/26	6,790,000	7,448,766
Frisco GO, Refunding and Improvement, 5.00%, 2/15/25	5,000,000	5,577,350

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Texas (continued)			
Harris County Hospital District Revenue, senior lien, Refunding, Series A, NATL Insured,			
5.00%, 2/15/22	\$ 4,165,000	\$	4,382,580
Houston GO, Public Improvement, Refunding, Series A, 5.00%, 3/01/22	10,000,000		11,227,700
8/01/19	1,000,000		1,007,710
Series A, 5.00%, 5/15/24	6,000,000		6,496,920
Series B, 5.00%, 5/15/24	10,620,000		11,499,548
9/01/24	12,000,000		13,183,560
NATL Insured, 4.95%, 3/01/18	15,000,000		16,095,900
San Antonio Electric and Gas Revenue, Refunding, 5.25%, 2/01/25 Tyler Health Facilities Development Corp. Hospital Revenue, East Texas Medical Center Regional Healthcare System Project, Refunding and Improvement, Series A, 5.25%,	27,000,000		30,891,510
11/01/22	5,000,000		5,159,500
11/01/23	5,000,000		5,111,850
2/15/23	6,235,000		7,099,171
2/15/25	13,780,000		15,354,227
		2	235,276,908
Utah 0.6% Salt Lake County College Revenue, Westminster College Project, Refunding, 5.00%,			
10/01/19	2,585,000		2,656,579
11/01/20	9,000,000		10,440,000
11/01/21	9,000,000		10,213,020
			23,309,599
Virginia 1.2%			
Norfolk Water Revenue, Refunding, 5.00%,			
11/01/24	6,145,000		6,891,310
11/01/25	6,000,000		6,643,200
8/01/19	12,635,000		14,583,949
8/01/20	13,450,000		15,542,551 43,661,010
Washington 1.3%			75,001,010
Seattle Municipal Light and Power Revenue, Refunding and Improvement, Series B, 5.00%,			
2/01/19	6,805,000		7,868,621
2/01/20	7,000,000		8,101,520

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Washington (continued)		
Washington State GO, Various Purpose, Series D, 5.00%,		
2/01/24	\$13,285,000	\$ 14,868,572
2/01/25	13,955,000	15,424,741
		46,263,454
Wisconsin 0.3%		
Wisconsin State Transportation Revenue, Series 1, 5.00%, 7/01/24	10,000,000	11,194,100
U.S. Territories 1.7%		
Guam 0.1%		
Guam Government Limited Obligation Revenue, Section 30, Series A, 5.50%,		
12/01/18	1,540,000	1,661,691
12/01/19	1,025,000	1,093,921
		2,755,612
Puerto Rico 1.6%		
Puerto Rico Commonwealth GO, Public Improvement,		
Refunding, Series A, 5.50%, 7/01/18	8,455,000	8,608,120
Series A, 5.00%, 7/01/23	4,000,000	3,365,000
Series A, 5.25%, 7/01/23	3,500,000	2,901,255
Series A, FGIC Insured, 5.50%, 7/01/21	2,500,000	2,309,275
Puerto Rico Commonwealth Highways and Transportation Authority Transportation Revenue, Series K, 5.00%, 7/01/19	E 000 000	4.064.800
Puerto Rico Commonwealth Infrastructure Financing Authority Special Tax Revenue,	5,000,000	4,964,800
Refunding, Series C, AMBAC Insured, 5.50%, 7/01/24	10,000,000	8,320,200
Puerto Rico Electric Power Authority Power Revenue, Refunding,	10,000,000	0,020,200
Series DDD, 5.00%, 7/01/21	8,745,000	8,004,998
Series SS, NATL Insured, 5.00%, 7/01/24	10,000,000	8,519,200
Series ZZ, 5.25%, 7/01/19	8,000,000	7,983,520
Puerto Rico Sales Tax FICO Sales Tax Revenue, Senior Series C, 5.00%, 8/01/22	3,500,000	3,720,465
		58,696,833
Total U.S. Territories		61,452,445
Total Municipal Bonds before Short Term Investments		
(Cost \$3,456,155,967)		3,503,553,029
		3,503,553,029
Short Term Investments 1.5%		
Municipal Bonds 1.5%		
Georgia 0.0%† 3 Purks County Development Authority BCB, Coorgia Power Co. Plant Voltage Project, Refunding		
^a Burke County Development Authority PCR, Georgia Power Co. Plant Voltage Project, Refunding, First Series, Daily VRDN and Put, 0.09%, 7/01/49	1,600,000	1,600,000
	1,000,000	1,000,000
Louisiana 0.1%		
^a Louisiana State Offshore Terminal Authority Deepwater Port Revenue, Loop LLC Project,	3 500 000	2 500 000
First Stage, ACES, Refunding, Daily VRDN and Put, 0.06%, 9/01/17	3,500,000	3,500,000

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

Franklin Federal Intermediate-Term Tax-Free Income Fund	Principal Amount	Value
Short Term Investments (continued) Municipal Bonds (continued) Missouri 0.2% a Missouri State Health and Educational Facilities Authority Educational Facilities Revenue, St. Louis University, Refunding, Series B-1, Daily VRDN and Put, 0.09%, 10/01/35	\$ 7,125,000	\$ 7,125,000
Virginia 1.2% a Roanoke IDA Hospital Revenue, Carilion Health System Obligated Group, Series A, Sub Series A-1, AGMC Insured, Daily VRDN and Put, 0.10%, 7/01/36 Sub Series A-2, AGMC Insured, Daily VRDN and Put, 0.10%, 7/01/36	26,000,000 17,400,000	26,000,000 17,400,000
Total Short Term Investments (Cost \$55,625,000) Total Investments (Cost \$3,511,780,967) 98.1% Other Assets, less Liabilities 1.9%		43,400,000 55,625,000 3,559,178,029 69,880,609
Net Assets 100.0%		\$3,629,058,638

See Abbreviations on page 194.

 $^{^{\}dagger}\text{Rounds}$ to less than 0.1% of net assets.

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 Highlights

Franklin Federal Limited-Term Tax-Free Income Fund

	Six Months Ended August 31, 2013 Year Ended February 28,					
Class A	(unaudited)	2013	2012ª	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.56	\$10.60	\$10.29	\$10.35	\$10.11	\$ 9.96
Income from investment operations ^b :						
Net investment incomec	0.07	0.18	0.20	0.21	0.24	0.27
Net realized and unrealized gains (losses)	(0.13)	(0.04)	0.31	(0.05)	0.25	0.16
Total from investment operations	(0.06)	0.14	0.51	0.16	0.49	0.43
Less distributions from net investment income	(0.07)	(0.18)	(0.20)	(0.22)	(0.25)	(0.28)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$10.43	\$10.56	\$10.60	\$10.29	\$10.35	\$10.11
Total return ^f	(0.54)%	1.32%	4.95%	1.52%	4.86%	4.33%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates	0.83%	0.84%	0.85%	0.87%	0.92%	1.03%
Expenses net of waiver and payments by affiliates	0.60%	0.60%	0.57%	0.50%	0.50%	0.53%
Net investment income	1.37%	1.67%	1.88%	2.01%	2.33%	2.70%
Supplemental data						
Net assets, end of period (000's)	\$947,233	\$778,018	\$682,132	\$640,865	\$380,522	\$184,887
Portfolio turnover rate	10.91%	10.94%	5.72%	7.40%	15.53%	12.69%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

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

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Federal Limited-Term Tax-Free Income Fund

	Six Months Ende August 31, 2013		[·] Ended Febru	ary 28,
Advisor Class	(unaudited)	2013	2012ª	2011ь
Per share operating performance (for a share outstanding throughout the period)				
Net asset value, beginning of period	\$10.55	\$10.59	\$10.29	\$10.27
Income from investment operations ^c :				
Net investment incomed	0.08	0.19	0.21	0.02
Net realized and unrealized gains (losses)	(0.13)	(0.04)	0.30	0.01
Total from investment operations	(0.05)	0.15	0.51	0.03
Less distributions from net investment income	(80.0)	(0.19)	(0.21)	(0.01)
Net asset value, end of period	\$10.42	\$10.55	\$10.59	\$10.29
Total returne	(0.47)%	1.47%	5.00%	0.33%
Ratios to average net assets ^f				
Expenses before waiver and payments by affiliates	0.68%	0.69%	0.70%	0.72%
Expenses net of waiver and payments by affiliates	0.45%	0.45%	0.42%	0.35%
Net investment income	1.52%	1.82%	2.03%	2.16%
Supplemental data				
Net assets, end of period (000's)	\$141,000	\$108,836	\$80,569	\$29,056
Portfolio turnover rate	10.91%	10.94%	5.72%	7.40%

^aFor the year ended February 29.

bFor the period February, 1 2011 (effective date) to February 28, 2011.

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.

dBased on average daily shares outstanding.

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

fRatios are annualized for periods less than one year.

Statement of Investments, August 31, 2013 (unaudited)

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds 80.8%		
Alabama 0.9%		
Alabama State University Revenue, General Tuition and Fee, Assured Guaranty, 5.00%,		
9/01/14	\$ 665,000	\$ 695,158
9/01/15	700,000	751,835
9/01/16	730,000	805,080
East Alabama Health Care Authority Health Care Facilities Revenue,	1 000 000	1 000 000
Mandatory Put 9/01/13, Series B, Pre-Refunded, 5.00%, 9/01/33	1,000,000	1,000,000
Mandatory Put 9/01/18, Series A, 5.25%, 9/01/36	1,000,000	1,099,150
1.65%, 6/01/34	5,000,000	4,998,250
1.00 /0, 0/01/04	3,000,000	
		 9,349,473
Alaska 0.5%		
Valdez Marine Terminal Revenue, BP Pipelines Inc. Project, Refunding, Series A, 5.00%,		
1/01/16	5,000,000	 5,450,650
Arizona 4.4%		
Arizona State COP, Department of Administration, Series B, AGMC Insured, 5.00%,		
10/01/15	11,975,000	12,949,765
Phoenix Civic Improvement Corp. Transit Excise Tax Revenue, Light Rail Project,		
AMBAC Insured, Pre-Refunded, 5.00%,	17 000 000	17 CCE 700
7/01/16	17,000,000 2,805,000	17,665,720 2,914,844
Phoenix Civic Improvement Corp. Transportation Excise Tax Revenue, Light Rail Project,	2,003,000	2,314,044
Refunding, 3.00%, 7/01/17	6,465,000	6,858,525
Phoenix Civic Improvement Corp. Wastewater System Revenue, junior lien, Refunding,	-,,	-,,
NATL Insured, 5.00%, 7/01/19	3,840,000	3,973,824
Tucson COP, Refunding, AGMC Insured,		
2.00%, 7/01/16	1,200,000	1,212,516
3.00%, 7/01/17	1,250,000	1,295,287
3.00%, 7/01/18	1,195,000	 1,218,135
		 48,088,616
Arkansas 0.5%		
Jefferson County PCR, Entergy Arkansas Inc. Project, Refunding, 1.55%, 10/01/17	5,000,000	4,901,950
California 7.0%		
Bennett Valley USD, GO, BANS, 4.00%, 1/01/15	2,130,000	2,200,269
^a California Infrastructure and Economic Development Bank Revenue, The J. Paul Getty Trust,	_,,	_,,
Mandatory Put 4/01/15, Refunding, Series B-1, Weekly FRN, 0.36%, 10/01/47	8,000,000	8,000,880
California State Economic Recovery GO, Refunding, Series A, 5.00%, 7/01/22	5,000,000	5,484,600
California State GO, Refunding, 5.00%, 4/01/15	500,000	535,930
California State Health Facilities Financing Authority Revenue, St. Joseph Health System,		
Mandatory Put 10/15/19, Series C, 5.00%, 7/01/43	3,250,000	3,650,887
Mandatory Put 10/15/20, Refunding, Series D, 5.00%, 7/01/43	5,000,000	5,588,400
California State Public Works Board Lease Revenue, Various Capital Projects, Series G,	10 605 000	10 700 104
Sub Series G-1, 5.00%, 10/01/13	10,685,000	10,722,184

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
California (continued)		
California Statewide CDA Revenue,		
CHF-Irvine LLC, UCI East Campus Apartments, Phase II, 5.00%, 5/15/14	\$ 1,000,000	\$ 1,023,150
Temporary 40, American Baptist Homes of the West, Series B, Sub Series B-3, 2.10%,		
10/01/19	2,000,000	1,921,220
Temporary 55, American Baptist Homes of the West, Series B, Sub Series B-2, 2.40%,		
10/01/20	1,000,000	944,240
Temporary 70, American Baptist Homes of the West, Series B, Sub Series B-1, 2.75%,	F 000 000	F F00 FF0
10/01/21	5,880,000	5,528,552
Los Angeles CRDA Community Redevelopment Financing Authority Revenue, Bunker Hill	7,250,000	7,197,727
Project, Series A, AGMC Insured, 5.00%, 12/01/13	1,000,000	1,010,060
Northern California Power Agency Public Power Revenue, Hydroelectric Project No. 1,	1,000,000	1,010,000
Refunding, Series C, Assured Guaranty, 5.00%, 7/01/15	1,000,000	1,079,990
Riverside County Transportation Commission Sales Tax Revenue, Limited Tax, Refunding,	1,000,000	1,070,000
Series A, 5.00%, 6/01/18	1,000,000	1,152,080
San Francisco City and County Airports Commission International Terminal Revenue,	, ,	, ,
Issue 32G, Refunding, Second Series, NATL RE, FGIC Insured, 5.00%, 5/01/23	11,675,000	12,645,543
San Jose RDA Tax Allocation, Series A, 6.125%, 8/01/15	3,000,000	3,151,200
Santa Clara County Financing Authority Revenue, El Camino Hospital, Series B,		
AMBAC Insured, 5.00%,		
2/01/14	1,000,000	1,015,190
2/01/15	1,025,000	1,074,262
Southern California Public Power Authority Gas Project Revenue, Project No. 1, Series A,	1 000 000	1 056 400
5.00%, 11/01/15	1,000,000	1,056,430
Tustin USD School Facilities ID No. 2002-1 GO, Capital Appreciation, Election of 2002, Series C, AGMC Insured, zero cpn., 6/01/18	810,000	724 422
Series C, Adivid Histilea, Zero Cpri., 6/01/18	810,000	 724,432
		 75,707,226
Colorado 0.3%		
Garfield County School District No. 16 GO, Refunding, 3.00%, 12/01/18	1,115,000	1,168,475
Regional Transportation District COP, Transit Vehicles Project, Series A, AMBAC Insured,	4.500.000	
5.00%, 12/01/15	1,500,000	 1,634,940
		2,803,415
Florida 6.6%		
Citizens Property Insurance Corp. Revenue, High-Risk Account, senior secured, Series A-1,		
5.50%, 6/01/17	5,000,000	5,654,250
6.00%, 6/01/17	5,000,000	5,744,150
Assured Guaranty, 5.50%, 6/01/16	5,000,000	5,561,700
Escambia County Solid Waste Disposal Revenue, Gulf Power Co. Project, Mandatory Put		
6/02/15, 1.35%, 4/01/39	7,500,000	7,511,550
Florida State Board of Education Lottery Revenue, Refunding, Series B, AMBAC Insured,		40 700 000
5.00%, 7/01/18	11,480,000	12,709,623
7/01/14	4,000,000	4,131,680
Jacksonville Sales Tax Revenue, Better Jacksonville, Refunding, 5.00%, 10/01/16	2,000,000	2,208,760
^a Lakeland Electric and Water Revenue, Refunding, Weekly FRN, 0.81%, 10/01/17	3,000,000	2,981,190

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Florida (continued)		
Miami-Dade County Public Facilities Revenue, Jackson Health System, Assured Guaranty,		
4.00%, 6/01/16	\$ 1,580,000	\$ 1,661,180
Sunshine State Governmental Financing Commission Revenue, Miami-Dade County Program,	22 195 000	22 002 576
Series A, AGMC Insured, 4.00%, 9/01/14	23,185,000	 23,902,576
		 72,066,659
Georgia 2.0%		
Atlanta Water and Wastewater Revenue, Refunding, Series B, AGMC Insured, 4.00%,		
11/01/15	6,390,000	6,863,116
Burke County Development Authority PCR, Georgia Power Co. Plant Vogtle Project, Mandatory	10 000 000	10 000 500
Put 6/01/17, 1.75%, 12/01/49	10,000,000	10,003,500
Monroe County Development Authority PCR, Gulf Power Co. Project, Mandatory Put 6/21/17, First Series, 1.70%, 6/01/49	5,000,000	4,827,750
That defies, 1.70%, 0/01/43	3,000,000	
		 21,694,366
Hawaii 0.4%		
Hawaii State Department of Budget and Finance Special Purpose Revenue, Kahala Nui Project,		
Series A, Pre-Refunded, 7.875%, 11/15/23	4,700,000	 4,864,124
Idaho 0.1%		
Canyon County School District No. 131 GO, Refunding, 4.00%, 8/15/18	1,480,000	 1,599,096
Illinois 6.8%		
Chicago GO, Modern Schools Across Chicago Program, Series A, 5.00%, 12/01/16	5,000,000	5,466,350
Chicago Wastewater Transmission Revenue, Series A, BHAC Insured,		
5.00%, 1/01/16	1,425,000	1,534,981
5.50%, 1/01/17	1,000,000	1,111,590
Dolton GO, Refunding, Series B, AGMC Insured,	1 155 000	1 150 200
3.00%, 12/01/13 4.00%, 12/01/14	1,155,000 1,195,000	1,159,366 1,227,337
3.50%, 12/01/15	1,245,000	1,288,986
Homer Glen Village GO, Will and Cook Counties, Series A,	1,243,000	1,200,300
2.00%, 12/01/15	1,000,000	1,019,840
4.00%, 12/01/18	1,000,000	1,086,000
Illinois State GO,		
AGMC Insured, 5.50%, 5/01/15	5,000,000	5,360,700
AGMC Insured, 5.00%, 9/01/16	9,000,000	9,620,460
Refunding, AGMC Insured, 5.00%, 1/01/16	7,000,000	7,578,690
Illinois State Sales Tax Revenue, Build Illinois, Junior Obligation, Refunding, 5.00%,	F 000 000	F 660 000
6/15/17	5,000,000	5,660,000
12/01/17	10,000,000	11,427,600
Illinois State Unemployment Insurance Fund Building Receipts Revenue, Series B, 5.00%,	10,000,000	11,427,000
12/15/17	6,000,000	6,718,200
Mount Vernon GO, Jefferson County, AGMC Insured, 3.00%,	-,,	-, -,
12/15/17	1,430,000	1,475,846
12/15/18	1,475,000	1,503,158

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Illinois (continued)		
Regional Transportation Authority Revenue, Series A, NATL RE Insured, 5.00%, 7/01/21 Southwestern Development Authority Revenue, Local Government Program, Edwardsville Community Unit School District No. 7 Project, Refunding, AGMC Insured, 5.25%,	\$ 5,410,000	\$ 5,887,270
12/01/20	4,475,000	4,910,149
		74,036,523
Indiana 0.9%		
Indiana Health Facilities Financing Authority Revenue, Ascension Health, Mandatory Put		
8/01/17, Series A-5, 2.00%, 11/01/27	3,500,000	3,492,125
4.00%, 10/01/14	4,640,000	4,806,808
Lafayette Sewage Works Revenue, Refunding, 3.00%, 1/01/15	1,000,000	1,032,630
		9,331,563
Kansas 0.4%	2 000 000	0.007.040
Kansas City SFMR, Muni Multiplier, Series A, FHLMC Insured, ETM, 12/01/14	3,000,000	2,987,040
9/01/15	1,500,000	1,497,600
		4,484,640
Louisiana 0.6%		
England District Sub-District No. 1 Revenue, Economic Development Project, Refunding, 4.00%, 8/15/15	2 790 000	2 040 609
5.00%, 8/15/16	2,780,000 2,505,000	2,949,608 2,783,406
Louisiana Local Government Environmental Facilities and CDA Revenue, Shreveport Utility	, ,	
System Project, NATL Insured, 4.00%, 12/01/14	500,000	513,715
		6,246,729
Maryland 0.6%		
^a Howard County Housing Commission Revenue, Columbia Landing Project, Mandatory Put 7/01/18, Series A, Weekly FRN, 1.31%, 7/01/34	6,000,000	5,983,620
Massachusetts 0.2%	-,,	
Massachusetts State Health and Educational Facilities Authority Revenue, Cape Cod Healthcare Obligated Group, Series D, Assured Guaranty, 4.00%,		
11/15/13	1,150,000	1,155,739
11/15/15	1,000,000	1,045,790
		2,201,529
Michigan 4.9%		
Detroit GO, Distribution State Aid, 5.00%,		
11/01/16	6,120,000	6,508,436
11/01/17 Detroit Water and Sewerage Department Sewage Disposal System Revenue, senior lien,	7,485,000	7,990,013
Refunding, Series A, AGMC Insured, 5.00%, 7/01/16	5,000,000	5,015,300
4/01/14	1,015,000	1,029,920
4/01/15	1,215,000	1,256,043
4/01/16	1,415,000	1,473,284
Jackson GO, Downtown Development, Limited Tax, AGMC Insured, zero cpn., 6/01/16	1,370,000	1,253,879

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Michigan (continued)		
Michigan Municipal Bond Authority Revenue, Local Government Loan Program, Charter County		
of Wayne Local Project, Series B, Assured Guaranty, 5.00%, 11/01/13	\$ 4,000,000	\$ 4,021,840
Michigan State Building Authority Revenue, Refunding, 5.00%, 10/15/17	1,500,000	1,677,975
Michigan State Finance Authority Revenue, School District of the City of Detroit, Refunding,		
4.00%, 6/01/14	550,000	563,140
5.00%, 6/01/14	1,250,000	1,289,062
5.00%, 6/01/15	1,700,000	1,792,973
5.00%, 6/01/16	1,600,000	1,714,864
Rochester Community School District GO, Refunding, AGMC Insured, 5.00%, 5/01/15	4,795,000	4,934,391
Royal Oak Hospital Finance Authority Hospital Revenue, William Beaumont Hospital Obligated		
Group, Refunding, Series W, 5.25%, 8/01/17	7,000,000	7,791,910
Western Townships Utilities Authority Revenue, Sewage Disposal System, Limited Tax,		
Refunding, 3.00%,		
1/01/15	1,000,000	1,032,360
1/01/17	1,000,000	1,038,510
Wyandotte Electric System Revenue, Refunding, Series A, Assured Guaranty, 5.00%,		
10/01/13	3,355,000	 3,364,729
		53,748,629
Minnesete 2 E9/		, ,
Minnesota 2.5% Formington CO. Improvement, Sovice P. ACMC Inquired, 3.50%, 2/01/14	455,000	460 492
Farmington GO, Improvement, Series B, AGMC Insured, 3.50%, 2/01/14	455,000	460,483
Hennepin County GO, Refunding, Series B, 5.00%, 12/01/18	3,315,000	3,875,533
Hibbing Health Care Facilities Revenue, The Duluth Clinic Ltd., AGMC Insured, Pre-Refunded,	0.000.000	0.050.700
5.00%, 11/01/25	8,000,000	8,059,760
Minneapolis-St. Paul Metropolitan Airports Commission Airport Revenue, Refunding, Series B,	E 025 000	6 450 404
NATL RE, FGIC Insured, 5.00%, 1/01/23	5,925,000	6,459,494
Minnesota Agricultural and Economic Development Board Revenue, Health Care Facilities,	1 225 000	1 /11 100
Essentia Health Obligated Group, Series C-1, Assured Guaranty, 5.00%, 2/15/15	1,335,000	1,411,189
Northern Municipal Power Agency Electric System Revenue, Refunding, Series A,	F 000 000	E 202 700
Assured Guaranty, 5.00%, 1/01/15	5,000,000	5,292,700
Otsego GO, Water and Sewer, Refunding, Series C, AGMC Insured, 2.00%, 12/01/16	2,000,000	 2,053,880
		 27,613,039
Mississippi 0.1%		
Jackson Water and Sewer System Revenue, Refunding, AGMC Insured, 4.00%, 9/01/14	580,000	599,882
, , , ,	,	
Nevada 1.4% Clark County School District CO. Limited Tay, Building, Sories C. F. 00%, 6/15/22	0.000.000	10 602 050
Clark County School District GO, Limited Tax, Building, Series C, 5.00%, 6/15/23	9,920,000	10,693,958
Nevada State GO, Limited Tax, Nevada Municipal Bond Bank Project Nos. R-9A R-9B R-9C	4 000 000	4 501 575
R-10 R-11 and R12, Series F, AGMC Insured, 5.00%, 12/01/20	4,260,000	 4,531,575
		 15,225,533
New Hampshire 0.3%		
New Hampshire State GO, Refunding, Series A, 5.00%, 7/01/18	2,610,000	3,022,824
	_,-10,000	 -,,
New Jersey 5.4%		
Gloucester County Improvement Authority Solid Waste Resource Recovery Revenue,		
Waste Management Inc. Project, Mandatory Put 12/01/17, Refunding, Series A, 2.125%,	2 000 000	0.060.110
12/01/29	3,000,000	2,962,110

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New Jersey (continued)		
New Jersey EDA Revenue,		
Cigarette Tax, Refunding, 5.00%, 6/15/14	\$ 4,810,000	\$ 4,946,027
Cigarette Tax, Refunding, 5.00%, 6/15/15	3,160,000	3,321,255
School Facilities Construction, Refunding, Series DD-1, 5.00%, 12/15/16	10,000,000	11,245,100
^a School Facilities Construction, Series H, Weekly FRN, 0.96%, 2/01/17	3,000,000	3,004,230
New Jersey Environmental Infrastructure Trust Revenue,		
Environmental-2012, Series A, Pre-Refunded, 5.00%, 9/01/22	15,000	16,852
Environmental-2013, Series A, 5.00%, 9/01/22	3,105,000	3,424,349
New Jersey State GO, Refunding,		
Series N, AMBAC Insured, 5.50%, 7/15/14	3,000,000	3,135,930
Series Q, 5.00%, 8/15/18	15,885,000	18,377,039
New Jersey Transportation Trust Fund Authority Revenue, Transportation System, Refunding,		
Series A, AMBAC Insured, 5.50%, 12/15/14	5,000,000	5,322,650
Ocean County GO, Refunding, 5.00%, 8/01/19	1,125,000	1,310,726
Rutgers State University Revenue, Refunding, Series J, 5.00%, 5/01/17	1,000,000	1,129,360
South Brunswick Township GO, Refunding, 1.75%, 7/01/14	1,000,000	 1,011,570
		59,207,198
New Mexico 0.8%		
New Mexico Educational Assistance Foundation Revenue, Education Loan, Series A-1, 4.00%,		
12/01/14	2,000,000	2,085,820
12/01/15	4,000,000	4,285,280
b Taos County Gross Receipts Tax Revenue, County Education Improvement, Build America	1,000,000	1,200,200
Mutual Assurance,		
3.00%, 4/01/16	1,000,000	1,032,060
3.00%, 4/01/17	750,000	771,540
3.50%, 4/01/19	1,000,000	1,018,260
		9,192,960
		 9,192,900
New York 10.0%		
Beekmantown CSD, GO, Refunding, AGMC Insured,	1 000 000	1 010 000
3.00%, 6/15/14	1,000,000	1,018,830
4.00%, 6/15/15	1,245,000	1,312,902
2.00%, 6/15/16	1,075,000	1,088,674
East Meadow Union Free School District GO, Refunding,	1 000 000	1 045 020
3.00%, 8/15/15	1,000,000	1,045,930
4.00%, 8/15/16	1,000,000	1,091,100
4.00%, 8/15/17	1,000,000	1,103,480
	1,920,000	2,165,549
^a MTA Dedicated Tax Fund Revenue, Mandatory Put 11/04/14, Refunding, Sub Series B-3A, Weekly FRN, 0.29%, 11/01/28	8,900,000	8,884,692
MTA Service Contract Revenue, Transportation Facilities, Series O, ETM, 5.50%, 7/01/17	9,220,000	10,588,064
New York City GO, Refunding, Series G, 5.25%, 8/01/16	9,010,000	10,388,004
New York City HDC, MFHR, Mandatory Put 9/16/13, Series L-2, 2.00%, 5/01/45	15,000,000	15,005,850
New York City IDAR, Capital Appreciation, Yankee Stadium Project, Pilot, Series A,	13,000,000	13,003,630
Assured Guaranty, zero cpn., 3/01/14	5,335,000	5,291,520
Accuracy additioning, 2010 opini, 0/01/17	5,555,000	0,231,320

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
New York (continued)			
New York State Dormitory Authority Revenues,			
Non-State Supported Debt, Municipal Health Facilities Improvement Program, Lease,			
New York City Issue, Refunding, Series 1, 5.00%, 1/15/19	\$ 4,000,000	\$	4,464,960
Non-State Supported Debt, Rochester General Hospital, Radian Insured, ETM, 5.00%,			
12/01/15	100,000		109,605
Non-State Supported Debt, School District Financing Program, Series A, AGMC Insured,			
5.00%, 10/01/15	1,000,000		1,087,870
Non-State Supported Debt, School Districts Financing Program, Series A, Assured Guaranty,			
3.75%, 10/01/14	1,380,000		1,429,708
Non-State Supported Debt, School Districts Financing Program, Series F, 4.00%,			
10/01/14	3,300,000		3,423,354
State Supported Debt, Mental Health Services Facilities Improvement, Series A,			
AGMC Insured, 5.00%, 2/15/15	1,000,000		1,064,380
New York State Dormitory Authority State Personal Income Tax Revenue, Education, Series C,	6 165 000		6 070 500
5.00%, 12/15/18	6,165,000		6,979,520
New York State Environmental Facilities Corp. Special Obligation Revenue, Riverbank State Park,	200,000		210 206
Refunding, CIFG Insured, 5.00%, 4/01/16	1,130,000		218,286 1,263,125
New York State GO, Series A, 5.00%, 3/01/18	4,000,000		4,240,720
Patchogue-Medford Union Free School District GO, Refunding, Series B,	4,000,000		4,240,720
2.00%, 7/01/14	1,000,000		1,011,880
3.00%, 7/01/16	1,000,000		1,048,080
Poughkeepsie Town GO, Public Improvement, Refunding, AGMC Insured, 5.00%, 4/15/15	250,000		265,027
Rochester GO, Refunding,			
Series IV, 2.00%, 10/15/15	1,850,000		1,907,017
Series V, 2.00%, 2/15/15	1,535,000		1,567,419
Sales Tax Asset Receivable Corp. Revenue,			
Refunding, Series A, NATL Insured, 5.25%, 10/15/18	3,285,000		3,462,587
Series A, NATL Insured, 5.25%, 10/15/19	785,000		825,357
St. Lawrence County IDA Civic Facility Revenue, St. Lawrence University Project, Series A,			
5.00%, 10/01/16	9,910,000		11,004,361
Suffolk County EDC Revenue, Catholic Health Services of Long Island Obligated Group Project,			
Refunding, 5.00%,	1 050 000		1 266 405
7/01/16	1,250,000		1,366,425
7/01/17	3,000,000		3,326,010
		1	.08,782,674
North Carolina 0.9%			
Charlotte COP, Transit Projects, Phase III, Series B, 3.00%, 6/01/22	7,500,000		7,380,600
North Carolina Eastern Municipal Power Agency Power System Revenue, Refunding, Series A,			
Assured Guaranty, 5.25%, 1/01/19	2,350,000		2,655,312
			10,035,912
Ohio 3.8%			· · · · · · · · · · · · · · · · · · ·
Akron COP, District Energy Project, 2.75%, 12/01/16	1,895,000		1,949,557
Cleveland Airport System Revenue,	2,000,000		_,0 .0,00,
Refunding, Series A, AGMC Insured, 5.00%, 1/01/19	7,870,000		8,720,275
Series C, Assured Guaranty, 5.00%, 1/01/16	5,140,000		5,558,807

Municipal Bonds (continued) Ohio (continued) Ohio (continued) Cicevaland Public Power System Revenue, Refunding, Series A-1, NATL RE, FGIC Insured. 5.0%, 11/15/20 \$5,000,000 \$5,346,530 Hamilton GO, Various Purpose, Street Improvement and Building, Refunding, 2.00%, 11/45,000 1,488,000 1,485,000 1,488,000 1,488,000 1,001/14 1,450,000 1,488,000 1,001/14 1,000,000 1,008,000 1,008,000 1,008,000 1,008,000 1,008,000 1,008,000 1,008,000 1,009,000 1,008,000 1,008,000 1,009,000 1,008,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,008,000 1,009,000 1,009,000 1,009,000 1,00	Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount		Value
Clauseland Public Power System Revenue, Refunding, Series A-1, NATL RE, FGIC Insured, \$5,000,000 \$5,346,350 Hamilton GO, Various Purpose, Street Improvement and Building, Refunding, 2.00%, 1176/20 1,478,338 11/01/14 1,455,000 1,478,338 11/01/15 1,465,000 1,488,000 1,488,000 1,488,000 1,091,043 Power Inc. Project, 3.00%, 12/01/13 1,085,000 1,091,043 Project, Series A, INATL Insured, 5.25%, 9/01/15 6,205,000 6,243,43 South-Western City School District Go Hois Franklin and Pickaway Counties GO, School Tisser, 12/01/16 1,210,000 1,272,267 1,201/16 1,210,000 1,272,267 1,201/16 1,210,000 1,265,000 1,343,341 Tolede GO, Capital Improvement, Refunding, Assured Guaranty, 3.00%, 12/01/13 1,210,000 1,217,357 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/10/13 1,210,000 1,217,357 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/10/14 1,210,000 1,246,004 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/10/14 1,210,000 1,246,004 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/10/14 1,220,000 1,246,004 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/10/14 1,220,000 1,246,004 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,210,000 1,227,162 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,220,000 1,220,000 1,220,000 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,220,000 1,220,000	Municipal Bonds (continued)			
5.00%, 11/15/20	Ohio (continued)			
Hamilton GO, Various Purpose, Street Improvement and Building, Refunding, 2.00%, 11/01/14 1,455,000 1,472,88 11/01/15 1,465,000 1,488,909 1,465,000 1,488,909 1,091/15 1,085,000 1,091,043 1	Cleveland Public Power System Revenue, Refunding, Series A-1, NATL RE, FGIC Insured,			
11/01/14 1,455,000	5.00%, 11/15/20	\$ 5,000,000	\$	5,346,350
1.101/15 1.488,090 1.488,090 1.000 1.488,090 1.000 1.000 1.000,000 1.00,000 1.000,	Hamilton GO, Various Purpose, Street Improvement and Building, Refunding, 2.00%,			
Ohio State Air Quality Development Authority Revenue, Environmental Improvement, Buckeye Power Inc. Project, 3.00%, 12/01/13 1,085,000 1,091,043 Ohio State Department of Administrative Services COP, Administrative Knowledge System Project, Series A, NATL Insured, 5.25%, 9/01/15 6,205,000 6,624,334 South-Western City School District of Ohio Franklin and Pickaway Counties GO, School Facilities Construction and Improvement, 3.00%, 12/01/16 1,210,000 1,272,267 12/01/15 1,200,000 1,285,000 1,343,341 Toledo GO, 2,210/14 1,900,000 1,962,529 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/13/37 1,210,000 1,217,357 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/10/14 1,210,000 1,246,094 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/10/14 1,185,000 1,227,162 Wright State University Revenue, General Receipts, Series A, 3.00%, 5/01/14 1,185,000 1,227,162 Wright State University Revenue, General Receipts, Series A, 3.00%, 5/01/14 4,000,000 4,250,440 Pennsylvania 6.2% 1 1,000,000 1,251,200 Pennsylvania Comomic Development Financing Authority Exempt Facilities Revenue, Presental Genomic Development	11/01/14	1,455,000		1,472,838
Power Inc. Project, 3,00%, 12/01/13 1,091,043		1,465,000		1,488,909
Ohio State Department of Administrative Services COP, Administrative Knowledge System Project, Series A, NATL Insured, 5.25%, 9/01/15 6,205,000 6,205,000 6,624,348 South-Western City School District of Ohio Franklin and Pickaway Counties GO, School 1 1,210,000 1,272,267 12/01/15 1,265,000 1,343,341 1 1,265,000 1,343,341 Toledo GO, Capital Improvement, Refunding, Assured Guaranty, 3.25%, 12/01/14 1,900,000 1,962,529 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,210,000 1,210,000 1,227,357 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,210,101 1,210,000 1,246,094 Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,210,101 1,185,000 1,224,162 Wright State University Revenue, General Receipts, Series A, 3.00%, 5/01/14 1,385,000 1,227,162 Wright State University Revenue, General Receipts, Series A, 3.00%, 5/01/14 1,000,000 4,250,440 Pennsylvania 6.2% 2 4,000,000 4,250,440 Pennsylvania 6.2% 1 1,000,000 1,0251,200 Pennsylvania 5ate Higher Educational Facilities Authority Revenue, Philadelphia University, Series A,				
Project, Series A, NATL Insured, 5.25%, 9/01/15		1,085,000		1,091,043
South-Western City School District of Ohio Franklin and Pickaway Counties GO, School Facilities Construction and Improvement, 3.00%, 1.201/16 1.265,000 1.343.341 1.201/16 1.265,000 1.343.341 1.201/16 1.265,000 1.343.341 1.201/16 1.265,000 1.343.341 1.201/16 1.265,000 1.343.341 1.201/16 1.265,000 1.343.341 1.201/16 1.265,000 1.343.341 1.201/17 1.201/17 1.201/17 1.201/17 1.200,000 1.265.29 1.201/17 1.201/17 1.200,000 1.217.357 1.201/17 1.201/17 1.200,000 1.217.357 1.201/17 1.				
Facilities Construction and Improvement, 3.00%, 12701/15		6,205,000		6,624,334
12/01/15				
12/01/16		4 040 000		
Toledo GO,				
Capital Improvement, Refunding, Assured Guaranty, 3.25%, 12/01/14 1,900,000 1,962,529		1,265,000		1,343,341
Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,210,000 1,217,357	,	1 000 000		1 060 500
12/01/13	•	1,900,000		1,962,529
Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 1,210,000 1,246,094 1,210,114 1,210,114 1,210,000 1,246,094 1,210,115 1,185,000 1,227,162 1,185,000 1,227,162 1,345,856 1,325,000 1,345,856		1 010 000		1 017 257
12/01/14		1,210,000		1,217,357
Limited Tax, Various Purpose Improvement, Refunding, Assured Guaranty, 3.00%, 12/01/15 1,185,000 1,227,162 1,345,856		1 210 000		1 246 004
1,185,000		1,210,000		1,246,094
Wright State University Revenue, General Receipts, Series A, 3.00%, 5/01/14 1,325,000 1,345,856 Oklahoma 0.4% Tulsa County Industrial Authority Educational Facilities Lease Revenue, Broken Arrow Public Schools Project, 4.00%, 9/01/15 4,000,000 4,250,440 Pennsylvania 6.2% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue, PPL Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 12/01/38 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia Go, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 3,00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,612,305 5.00%, 9/01/15 2,630,000 2,891,580 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272		1 105 000		1 007 160
Melahoma 0.4% Tulsa County Industrial Authority Educational Facilities Lease Revenue, Broken Arrow Public Schools Project, 4.00%, 9/01/15 4,000,000 4,250,440 Pennsylvania 6.2% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue, Ptl Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 10,000,000 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5,125%, 6/01/25 3,000,000 3,107,190				
Oklahoma 0.4% Tulsa County Industrial Authority Educational Facilities Lease Revenue, Broken Arrow Public Schools Project, 4.00%, 9/01/15 4,000,000 4,250,440 Pennsylvania 6.2% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue, PPL Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 12/01/38 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/15 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	wright State Oniversity Nevertue, deficial Necespts, Series A, 3.00%, 3/01/14	1,323,000		
Tulsa County Industrial Authority Educational Facilities Lease Revenue, Broken Arrow Public Schools Project, 4.00%, 9/01/15 4,000,000 4,250,440			_	41,866,719
Schools Project, 4.00%, 9/01/15 4,000,000 4,250,440 Pennsylvania 6.2% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue, PPL Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 12/01/38 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia Go, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3,000,901/14 1,160,000 1,189,499	Oklahoma 0.4%			
Pennsylvania 6.2% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue, PPL Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 4,795,000 6,560,781 4.00%, 7/01/16 6,190,000 6,560,781 4,095,700 5,168,099 Philadelphia Go, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 1,000,000 1,000,000 3.00%, 9/01/14 1,000,000 1,000,000 5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 1,160,000 1,189,499	Tulsa County Industrial Authority Educational Facilities Lease Revenue, Broken Arrow Public			
Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue, PPL Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, 3,000,000 3,107,190 Peniladelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia Go, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/15 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 8.00%, 9/01/14 1,160,000 1,189,499	Schools Project, 4.00%, 9/01/15	4,000,000		4,250,440
PPL Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 12/01/38 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia Go, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/16 1,500,000 1,042,610 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, Agministrated Go, Refunding, Seri	Pennsylvania 6.2%			
PPL Energy Supply LLC Project, Mandatory Put 9/01/15, Refunding, Series A, 3.00%, 12/01/38 10,000,000 10,251,200 Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia Go, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/16 1,500,000 1,042,610 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, Agministrated Go, Refunding, Seri	Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue.			
Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University, Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, 4,795,000 6,560,781 AGMC Insured, 4,795,000 5,168,099 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia Go, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 1,000,000 1,000,000 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/15 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3,00%, 9/01/14 1,160,000 1,189,499				
Series A, Pre-Refunded, 5.125%, 6/01/25 3,000,000 3,107,190 Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, 4000,000 6,190,000 6,560,781 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 1,000,000 1,000,000 5.00%, 9/01/13 1,000,000 1,042,610 5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3,00%, 9/01/14 1,160,000 1,189,499	12/01/38	10,000,000		10,251,200
Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series, AGMC Insured, 6,190,000 6,560,781 3.50%, 7/01/16 6,190,000 5,168,099 4.00%, 7/01/17 10,000,000 11,303,400 Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 1,000,000 Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	Pennsylvania State Higher Educational Facilities Authority Revenue, Philadelphia University,			
AGMC Insured, 3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	Series A, Pre-Refunded, 5.125%, 6/01/25	3,000,000		3,107,190
3.50%, 7/01/16 6,190,000 6,560,781 4.00%, 7/01/17 4,795,000 5,168,099 Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 1,000,000 1,000,000 5.00%, 9/01/13 1,000,000 1,042,610 5.00%, 9/01/14 1,500,000 1,612,305 5.00%, 9/01/15 1,500,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	Philadelphia Gas Works Revenue, 1998 General Ordinance, Refunding, Tenth Series,			
4.00%, 7/01/174,795,0005,168,099Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/1710,000,00011,303,400Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/131,000,0001,000,0005.00%, 9/01/141,000,0001,042,6105.00%, 9/01/151,500,0001,612,3055.00%, 9/01/162,630,0002,891,5805.00%, 9/01/172,750,0003,050,272Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/141,160,0001,189,499	AGMC Insured,			
Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17 10,000,000 11,303,400 Philadelphia School District GO, Refunding, Series C, 1,000,000 1,000,000 3.00%, 9/01/13 1,000,000 1,042,610 5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 1,160,000 1,189,499	3.50%, 7/01/16	6,190,000		6,560,781
Philadelphia School District GO, Refunding, Series C, 3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	4.00%, 7/01/17	4,795,000		5,168,099
3.00%, 9/01/13 1,000,000 1,000,000 5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	Philadelphia GO, Refunding, Series A, AGMC Insured, 5.25%, 8/01/17	10,000,000		11,303,400
5.00%, 9/01/14 1,000,000 1,042,610 5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	Philadelphia School District GO, Refunding, Series C,			
5.00%, 9/01/15 1,500,000 1,612,305 5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	3.00%, 9/01/13	1,000,000		1,000,000
5.00%, 9/01/16 2,630,000 2,891,580 5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499				
5.00%, 9/01/17 2,750,000 3,050,272 Pittsburgh School District GO, Refunding, Series A, 3.00%, 9/01/14 1,160,000 1,189,499	•			
Pittsburgh School District GO, Refunding, Series A, 1,160,000 1,189,499				
3.00%, 9/01/14	·	2,750,000		3,050,272
4.00%, 9/01/17				
	4.00%, 9/01/17	4,250,000		4,611,760

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Pennsylvania (continued)		
Reading School District GO, Refunding, Series A, 5.00%,		
4/01/17	\$ 4,500,000	\$ 4,941,900
4/01/18	4,035,000	4,424,297
South Fork Municipal Authority Hospital Revenue, Conemaugh Valley Memorial Hospital,		
Refunding, Series A, Assured Guaranty,	1 050 000	1 000 007
5.00%, 7/01/14	1,250,000	1,280,287
4.00%, 7/01/15 5.00%, 7/01/16	1,235,000 1,325,000	1,269,321 1,406,116
University of Pittsburgh of the Commonwealth System of Higher Education Revenue, University	1,323,000	1,400,110
Capital Project, Mandatory Put 9/15/13, Series A, 5.50%, 9/15/39	2,500,000	2,503,700
	_,,	 67,614,317
		 07,014,317
Rhode Island 0.7%		
Rhode Island State and Providence Plantations GO, Consolidated Capital Development Loan,	5 000 000	7 1 40 000
Refunding, Series A, 5.00%, 8/01/18	6,290,000	 7,142,232
South Carolina 0.7%		
Piedmont Municipal Power Agency Electric Revenue, Refunding, Series A-2, 5.00%,		
1/01/15	4,000,000	4,208,480
SCAGO Educational Facilities Corp. for Pickens School District Revenue, Installment Purchase,	2 000 000	2 167 670
School District of Pickens County Project, AGMC Insured, 5.00%, 12/01/14	3,000,000	 3,167,670
		 7,376,150
Tennessee 1.7%		
Memphis Electric System Revenue, Subordinate, Refunding, 5.00%, 12/01/15	8,000,000	8,770,320
Sevier County PBA Revenue, Local Government Public Improvement, Series VII-D-1, 5.00%,		
6/01/15	9,000,000	 9,627,030
		18,397,350
Texas 4.7%		_
Austin Water and Wastewater System Revenue, Refunding, Series A,		
4.00%, 11/15/15	1,700,000	1,828,520
4.00%, 11/15/16	600,000	658,434
5.00%, 11/15/17	500,000	573,950
Brock ISD, GO, Capital Appreciation, PSF Guarantee, zero cpn., 8/15/16	460,000	446,425
Crandall ISD, GO, Refunding, Series A, PSF Guarantee, zero cpn., 8/15/15	1,000,000	983,830
Dallas Area Rapid Transit Sales Tax Revenue, senior lien, Refunding, AGMC Insured, 4.50%,		
12/01/24	6,720,000	7,226,621
Dallas/Fort Worth International Airport Revenue, Joint, Refunding,	2 025 000	2 404 020
Series A, 5.00%, 11/01/14	3,235,000 2,000,000	3,404,838
Series D, 5.00%, 11/01/17	2,000,000	2,280,080
10/01/17	10,000,000	10,066,500
Gulf Coast Waste Disposal Authority Environmental Facilities Revenue, BP Products North	10,000,000	20,000,000
America Inc. Project, Mandatory Put 9/03/13, Refunding, 2.30%, 1/01/42	10,000,000	10,000,000
Tarrant County Cultural Education Facilities Finance Corp. Revenue, CHRISTUS Health,	. ,	. ,
Refunding, Series A, Assured Guaranty, 5.75%, 7/01/18	1,585,000	1,676,502

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Texas (continued)		
Texas State PFAR, Southern University Financing System, Refunding, Build America Mutual		
Assurance,	¢ 0.500.000	Φ 0.504.775
4.00%, 11/01/14	\$ 2,500,000	\$ 2,594,775
4.00%, 11/01/15	3,160,000 2,000,000	3,351,148 2,202,540
Wylie ISD, GO,	2,000,000	2,202,040
Capital Appreciation Bonds, Refunding, PSF Guarantee, zero cpn., 8/15/17	2,775,000	2,627,453
Capital Appreciation, Refunding, PSF Guarantee, zero cpn., 8/15/16	1,500,000	1,458,720
		51,380,336
Utah 0.2%		
Nebo School District GO,		
Refunding, Series A, 2.00%, 7/01/17	1,000,000	1,011,470
Utah County, Refunding, Series A, 2.00%, 7/01/16	1,200,000	1,222,260
		2,233,730
Vivoinia O 10/		
Virginia 0.1% Virginia State HDA Commonwealth Mortgage Revenue, Sub Series C-5, 2.45%, 7/01/19	1,400,000	1,392,440
	1,400,000	1,552,440
Washington 0.8% King County Housing Authority Revenue, Birch Creek Apartments Project, 4.40%, 5/01/18	2,290,000	2,396,783
Snohomish County Everett School District No. 2 GO, Refunding, NATL RE, FGIC Insured,	2,290,000	2,390,763
5.00%, 12/01/14	250,000	264,227
Snohomish County School District No. 103 GO, Monroe, Refunding, 2.50%, 12/01/15	3,895,000	4,043,361
Washington State Health Care Facilities Authority Revenue, MultiCare Health System,		
Series A, AGMC Insured, 4.00%, 8/15/14	310,000	318,423
Series B, AGMC Insured, 4.00%, 8/15/14	600,000	616,302
Series B, AGMC Insured, 4.00%, 8/15/15	625,000	658,531
		8,297,627
Wyoming 2.0%		
Sweetwater County 2013 Specific Purpose Tax Joint Powers Board Revenue,		
5.00%, 12/15/17	5,370,000	6,024,817
4.00%, 6/15/18	4,510,000	4,799,677
2.125%, 12/15/18	580,000	568,737
5.00%, 12/15/18	9,000,000	9,899,460
		21,292,691
U.S. Territories 1.0%		
Puerto Rico 1.0%		
Puerto Rico Commonwealth GO, Public Improvement, AGMC Insured, 5.50%, 7/01/15	5,000,000	5,285,600
Puerto Rico PBA Guaranteed Revenue, Government Facilities, Mandatory Put 7/01/17,		
Refunding, Series M, Sub Series M-2, 5.75%, 7/01/34	5,000,000	5,066,150
AMBAC Insured, 5.50%, 7/01/35	750,000	753,525
. ,,,	. 30,000	
		11,105,275
Total Municipal Bonds before Short Term Investments		
(Cost \$867,595,845)		878,588,137

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Short Term Investments 18.4% Municipal Bonds 18.4% California 0.1%		
^c Metropolitan Water District of Southern California Water Revenue, Refunding, Series B-3, Daily VRDN and Put, 0.02%, 7/01/35	\$ 1,500,000	\$ 1,500,000
Florida 0.3% ^c Sarasota County Public Hospital District Revenue, Sarasota Memorial Hospital Project, Refunding, Series B, Daily VRDN and Put, 0.05%, 7/01/37	3,200,000	3,200,000
Georgia 1.5% ^c Burke County Development Authority PCR, Georgia Power Co. Plant Voltage Project, Refunding, First Series, Daily VRDN and Put, 0.09%, 7/01/49	16,700,000	16,700,000
Illinois 0.5% c Illinois State Finance Authority Revenue, Various Insured OSF Healthcare System, Refunding, Series F, AGMC Insured, Weekly VRDN and Put, 0.39%, 11/15/37	5,000,000	5,000,000
Indiana 0.1% Lafayette Sewage Works Revenue, Refunding, 3.00%, 1/01/14	1,270,000	1,280,986
Kentucky 0.3% ^c Shelby County Lease Revenue, Series A, Daily VRDN and Put, 0.05%, 9/01/34	3,530,000	3,530,000
Louisiana 1.3% ^c East Baton Rouge Parish Sewer Commission Revenue, Series A, Monthly VRDN and Put, 0.931%, 2/01/46	9,000,000	9,024,480
^c Louisiana State Offshore Terminal Authority Deepwater Port Revenue, Loop LLC Project, First Stage, ACES, Refunding, Daily VRDN and Put, 0.06%, 9/01/17	5,000,000	5,000,000 14,024,480
Maryland 0.3% ^c Montgomery County GO, Consolidated Public Improvement, BAN, Refunding, Series A, Daily VRDN and Put, 0.07%, 6/01/26	3,800,000	3,800,000
Massachusetts 1.8% ^c Massachusetts State Health and Educational Facilities Authority Revenue,		
Harvard University Issue, Refunding, Series R, Daily VRDN and Put, 0.03%, 11/01/49 Museum of Fine Arts, Series A-2, Daily VRDN and Put, 0.09%, 12/01/37	2,500,000 17,600,000	2,500,000 17,600,000
Minnesota 2.9%		20,100,000
^c Minneapolis and St. Paul Housing and RDA Health Care System Revenue, Allina Health System, Refunding, Series B-1, Daily VRDN and Put, 0.05%, 11/15/35 Health Care Facilities, Children's Hospitals and Clinics, Series B, AGMC Insured,	3,600,000	3,600,000
Daily VRDN and Put, 0.12%, 8/15/25	27,550,000	27,550,000
Missouri 1.0% ^c Missouri State Health and Educational Facilities Authority Educational Facilities Revenue, St. Louis University,		31,150,000
Daily VRDN and Put, 0.05%, 7/01/32 Refunding, Series A-2, Daily VRDN and Put, 0.05%, 10/01/35 Series B, Daily VRDN and Put, 0.08%, 10/01/24	2,750,000 1,000,000 6,700,000	2,750,000 1,000,000 6,700,000
		10,450,000

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

Franklin Federal Limited-Term Tax-Free Income Fund	Principal Amount	Value
Short Term Investments (continued) Municipal Bonds (continued) North Carolina 0.9% The Charlotte-Mecklenburg Hospital Authority Health Care System Revenue, Carolinas		
HealthCare System, Refunding, Series B, Daily VRDN and Put, 0.04%, 1/15/38	\$10,000,000	\$ 10,000,000
Ohio 0.5%		
^c Allen County Hospital Facilities Revenue, Catholic Healthcare Partners, Series A, Daily VRDN and Put, 0.08%, 10/01/31	4,900,000	4,900,000
Pennsylvania 2.7%		
cGeisinger Authority Health System Revenue, Geisinger Health System, Series C, Daily VRDN and Put, 0.04%, 8/01/28	14,600,000	14,600,000
12/01/19	5,000,000	5,013,200
Weekly VRDN and Put, 0.18%, 9/01/33	10,000,000	10,000,000
		29,613,200
Tennessee 1.5%		
© Blount County PBA Revenue, Local Government Public Improvement, Blount County,		
Refunding, Series E-3-B, Daily VRDN and Put, 0.07%, 6/01/31	15,965,000	15,965,000
Virginia 2.6%		
Henrico County Water and Sewer Revenue, Refunding, 2.25%, 5/01/14	1,000,000	1,013,550
Sub Series A-2, AGMC Insured, Daily VRDN and Put, 0.10%, 7/01/36	27,600,000	27,600,000
		28,613,550
Wyoming 0.1%		
Sweetwater County 2013 Specific Purpose Tax Joint Powers Board Revenue, 2.00%,		
12/15/13	600,000	602,508
Total Short Term Investments (Cost \$200,414,589)		200,429,724
Total Investments (Cost \$1,068,010,434) 99.2%		1,079,017,861
Other Assets, less Liabilities 0.8%		9,214,588
Net Assets 100.0%		\$1,088,232,449

See Abbreviations on page 194.

^aThe coupon rate shown represents the rate at period end.

bSecurity purchased on a when-issued basis. See Note 1(b).

eVariable 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 High Yield Tax-Free Income Fund

	Six Months Ended August 31, 2013 Year Ended February 28,					
Class A	(unaudited)	2013	2012ª	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.98	\$10.59	\$ 9.60	\$9.99	\$8.75	\$9.98
Income from investment operations ^b :						
Net investment income ^c	0.23	0.46	0.51	0.52	0.54	0.55
Net realized and unrealized gains (losses)	(1.30)	0.38	1.00	(0.39)	1.25	(1.24)
Total from investment operations	(1.07)	0.84	1.51	0.13	1.79	(0.69)
Less distributions from net investment income	(0.22)	(0.45)	(0.52)	(0.52)	(0.55)	(0.54)
Redemption fees ^d		_				e
Net asset value, end of period	\$ 9.69	\$10.98	\$10.59	\$9.60	\$9.99	\$8.75
Total return ^f	(9.82)%	7.95%	16.20%	1.19%	20.96%	(7.09)%
Ratios to average net assets ^g						
Expenses	0.62%	0.65%	0.64%	0.63%	0.63%	0.63%
Net investment income	4.35%	4.22%	5.12%	5.18%	5.66%	5.77%
Cumplemental data						
Supplemental data	¢E 220 014	φε <u>ΕΕ</u> Ο 200	¢ ⊑ 001 102	ሰ ፍ 122 242	ዕፍ 477 71 0	¢4.055.704
Net assets, end of period (000's)	\$5,230,814	\$6,559,328	\$5,881,103	\$5,133,343	\$5,477,710	\$4,255,784
Portfolio turnover rate	10.85%	10.47%	8.86%	18.18%	8.58%	19.10%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin High Yield Tax-Free Income Fund

	Six Months Ended August 31, 2013 Year Ended February 28,					
Class C	(unaudited)	2013	2012a	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.14	\$10.75	\$ 9.73	\$10.12	\$ 8.86	\$10.10
Income from investment operations ^b :						
Net investment income ^c	0.21	0.40	0.47	0.47	0.49	0.50
Net realized and unrealized gains (losses)	(1.32)	0.38	1.02	(0.40)	1.27	(1.25)
Total from investment operations	(1.11)	0.78	1.49	0.07	1.76	(0.75)
Less distributions from net investment income	(0.19)	(0.39)	(0.47)	(0.46)	(0.50)	(0.49)
Redemption fees ^d		_	_	_	_	e
Net asset value, end of period	\$ 9.84	\$11.14	\$10.75	\$ 9.73	\$10.12	\$ 8.86
Total return ^f	(10.11)%	7.33%	15.68%	0.59%	20.28%	(7.62)%
Ratios to average net assets ^g						
Expenses	1.17%	1.20%	1.19%	1.18%	1.18%	1.18%
Net investment income	3.80%	3.67%	4.57%	4.63%	5.11%	5.22%
Supplemental data						
Net assets, end of period (000's)	\$1,124,390	\$1,446,670	\$1,219,076	\$996,921	\$1,002,985	\$663,766
Portfolio turnover rate	10.85%	10.47%	8.86%	18.18%	8.58%	19.10%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin High Yield Tax-Free Income Fund

	Six Months Endo		Yea	ar Ended Febr	uary 28,	
Advisor Class	(unaudited)	2013	2012ª	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.02	\$10.63	\$ 9.63	\$10.02	\$ 8.77	\$10.00
Income from investment operations ^b :						
Net investment incomec	0.24	0.47	0.53	0.53	0.55	0.56
Net realized and unrealized gains (losses)	(1.32)	0.38	1.00	(0.39)	1.26	(1.24)
Total from investment operations	(1.08)	0.85	1.53	0.14	1.81	(0.68)
Less distributions from net investment income	(0.22)	(0.46)	(0.53)	(0.53)	(0.56)	(0.55)
Redemption feesd		_	_	_	_	e
Net asset value, end of period	\$ 9.72	\$11.02	\$10.63	\$ 9.63	\$10.02	\$ 8.77
Total return ^f	(9.83)%	8.03%	16.37%	1.29%	21.14%	(6.99)%
Ratios to average net assets ^g						
Expenses	0.52%	0.55%	0.54%	0.53%	0.53%	0.53%
Net investment income	4.45%	4.32%	5.22%	5.28%	5.76%	5.87%
Supplemental data						
Net assets, end of period (000's)	\$1,911,813	\$2,156,523	\$1,438,591	\$848,957	\$621,454	\$170,562
Portfolio turnover rate	10.85%	10.47%	8.86%	18.18%	8.58%	19.10%

^aFor the year ended February 29.

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.

^cBased on average daily shares outstanding.

 $^{{}^{\}rm d} E f f e c tive$ September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

^{&#}x27;Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

Statement of Investments, August 31, 2013 (unaudited)

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds 97.6%		
Alabama 0.7%		
Alabama Capital Region Solid Waste Disposal Authority Revenue, IREP-Montgomery MRF LLC		
Project, Series A, 5.00%, 6/15/39	\$ 7,500,000	\$ 6,721,425
Alabama State Incentives Financing Authority Special Obligation Revenue, Series A, 5.00%,		
9/01/42	15,000,000	14,729,550
Alabama State Port Authority Docks Facilities Revenue, Refunding, 6.00%, 10/01/40 Camden IDB Exempt Facilities Revenue, Weyerhaeuser Co. Project,	6,000,000	6,581,640
Series A, Pre-Refunded, 6.125%, 12/01/24	3,000,000	3,042,360
Series B, Pre-Refunded, 6.375%, 12/01/24	1,750,000	1,774,675
Refunding, Series B, 6.25%, 8/01/25	2,500,000	2,503,400
Cullman County Health Care Authority GO, Refunding, Series A, 7.00%, 2/01/36 Prattville IDB Environmental Improvement Revenue, International Paper Co. Projects,	7,500,000	7,733,325
Series A, 9.25%, 3/01/33	5,500,000	6,554,680
International Paper Co. Project, Series A, 5.375%, 12/01/35	3,250,000	3,235,082
International Paper Co. Projects, Series A, 5.80%, 5/01/34	3,000,000	3,036,030
		55,912,167
Arizona 2.5%		
Arizona Health Facilities Authority Revenue, Catholic Healthcare West, Series B,		
Sub Series B-1, 5.25%, 3/01/39	10,000,000	9,793,600
Casa Grande IDA Hospital Revenue, Casa Grande Regional Medical Center, Series A, 7.25%,		
12/01/32	14,500,000	14,855,395
5.00%, 7/01/36	12,000,000	11,418,960
Glendale Municipal Property Corp. Excise Tax Revenue, Refunding, Series C, 5.00%,	12,000,000	11,110,500
7/01/38	12,000,000	11,617,920
Maricopa County IDA Health Facility Revenue, Catholic Healthcare West, Refunding, Series A,	, ,	, ,
5.50%, 7/01/26	7,500,000	7,694,100
Maricopa County PCC, PCR,		
El Paso Electric Co. Palo Verde Project, Series A, 7.25%, 4/01/40	20,000,000	22,011,000
Public Service Co. of New Mexico Palo Verde Project, Refunding, Series A, 6.25%,		
1/01/38	15,000,000	16,021,650
Navajo County PCC Revenue, Arizona Public Service Co. Cholla Project, Mandatory Put	10.750.000	11 040 FC2
6/01/16, Refunding, Series D, 5.75%, 6/01/34	10,750,000	11,940,563
junior lien, Series A, 5.00%, 7/01/40	24,000,000	23,240,640
senior lien, Series A, 5.00%, 7/01/48	15,000,000	15,043,500
Pima County IDAR Industrial Revenue, Tucson Electric Power Co. Project, Series A, 5.25%,	13,000,000	10,040,000
10/01/40	12,000,000	11,134,440
Pinal County Electrical District No. 3 Electric System Revenue, Refunding, 5.25%,	,,	, - , -
7/01/41	10,000,000	9,812,700
Salt Verde Financial Corp. Senior Gas Revenue,		
5.25%, 12/01/25	6,000,000	6,207,900
5.50%, 12/01/29	11,105,000	11,259,137

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Arizona (continued)		
University Medical Center Corp. Hospital Revenue, Tucson,		
6.00%, 7/01/24	\$ 250,000	\$ 275,180
6.25%, 7/01/29	1,000,000	1,087,080
5.00%, 7/01/35	10,175,000	10,120,767
6.50%, 7/01/39	1,500,000	1,627,275
Yuma County IDA Water and Sewer Exempt Facility Revenue, Far West Water and Sewer Inc.		
Project, Refunding, Series A, 6.375%, 12/01/37	15,500,000	11,718,620
		206,880,427
Arkansas 0.0% [†]		
Baxter County IDR, Aeroquip Corp. Project, Refunding, 5.80%, 10/01/13	2,400,000	2,406,432
California 17.2%		
Aliso Viejo CFD No. 2005-01 Special Tax, Glenwood at Aliso Viejo, 6.00%, 9/01/38	5,200,000	5,017,532
Alvord USD, GO, Election of 2007, Refunding, Series B, AGMC Insured, zero cpn.,		
8/01/41	30,750,000	5,187,832
Anaheim City School District GO, Capital Appreciation, Election of 2002, AGMC Insured,		
zero cpn.,		
8/01/29	7,000,000	2,643,060
8/01/30	5,000,000	1,744,300
Azusa Special Tax, CFD No. 2005-1, Improvement Area No. 1, 5.00%, 9/01/37	4,675,000	4,119,516
Bay Area Toll Authority Toll Bridge Revenue, San Francisco Bay Area, Refunding, Series F-1,		
5.50%, 4/01/43	29,685,000	30,836,184
Beaumont Financing Authority Local Agency Revenue, Improvement Area No. 19C, Series A,		
5.35%, 9/01/36	3,680,000	3,603,750
Beaumont PFAR, Sewer Enterprise Project, Series A, Pre-Refunded, 6.90%, 9/01/23	3,535,000	4,041,424
California County Tobacco Securitization Agency Tobacco Revenue, Tobacco Settlement		
Asset-Backed, Alameda County Tobacco Asset Securitization Corp., 5.875%, 6/01/35	3,700,000	3,356,603
California Health Facilities Financing Authority Revenue, Marshall Medical Center, Series A,		
California Mortgage Insured, 5.00%,	0.005.000	0.044.004
11/01/24	2,295,000	2,344,824
11/01/29	2,220,000	2,252,745
11/01/33	3,130,000	3,158,827
California HFAR, Home Mortgage, Series K, 4.70%, 8/01/31	20,000,000	18,117,000
California Infrastructure and Economic Development Bank Revenue, North County Center for		
Self-Sufficiency Corp. Project, AMBAC Insured, 5.00%,	10,300,000	10,020,767
12/01/30	5,000,000	4,643,700
California PCFA Water Facilities Revenue, American Water Capital Corp. Project, 5.25%,	5,000,000	4,043,700
8/01/40	6,000,000	5,669,760
California State GO, Various Purpose,	0,000,000	3,003,700
6.00%, 4/01/38	28,725,000	31,628,523
5.25%, 11/01/40	47,000,000	47,837,540
Refunding, 5.25%, 3/01/30	70,000,000	72,686,600
Refunding, 5.50%, 3/01/40	60,000,000	61,912,800
Refunding, 5.00%, 10/01/41	10,000,000	9,925,000
Refunding, 5.00%, 4/01/42	20,000,000	19,819,000
	_5,500,000	13,313,000

Franklin High Yield Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
California (continued)			
California State Health Facilities Financing Authority Revenue, Children's Hospital of Orange			
County, Series A, 6.50%,			
11/01/24	\$ 5,000,000	\$	5,707,950
11/01/38	8,000,000	Ψ	8,905,840
California State Municipal Finance Authority Revenue, Harbor Regional Center Project,	0,000,000		0,303,040
8.50%, 11/01/39	5,000,000		5,770,950
California State Public Works Board Lease Revenue,	3,000,000		3,770,330
Trustees of California State University, Series J, 6.00%, 11/01/29	7,365,000		8,259,332
Trustees of California State University, Series J, 6.00%, 11/01/25	17,560,000		19,287,728
Various Capital Projects, Series A, 5.00%, 4/01/30	17,785,000		17,833,553
Various Capital Projects, Series A, 5.00%, 4/01/30	12,500,000		12,361,125
	12,500,000		12,301,123
California Statewide CDA Revenue,	2 125 000		2 10C F00
American Baptist Homes of the West, Refunding, 6.00%, 10/01/29	3,125,000		3,196,500
American Baptist Homes of the West, Refunding, 6.25%, 10/01/39	5,000,000		5,075,250
Monterey Institute International, 5.50%, 7/01/31	13,240,000		14,387,776
St. Joseph Health System, Series B, FGIC Insured, 5.75%, 7/01/47	5,000,000		5,239,200
St. Joseph Health System, Series E, AGMC Insured, 5.25%, 7/01/47	10,000,000		10,003,400
Sutter Health, Refunding, Series A, 5.00%, 11/15/43	25,000,000		23,838,500
Thomas Jefferson School of Law, Refunding, Series A, 7.25%, 10/01/38	11,730,000		11,302,559
California Statewide CDA Special Tax Revenue, CFD No. 2007-01, Orinda Wilder Project,	40.000.000		
Series A, 6.00%, 9/01/37	10,000,000		9,512,800
Centinela Valley UHSD, GO, Election of 2010, Series B, AGMC Insured, zero cpn.,			4 000 500
8/01/37	8,400,000		1,893,528
Chabot-Las Positas Community College District GO, Capital Appreciation, Series C,			
AMBAC Insured, zero cpn.,			
8/01/33	21,015,000		6,208,882
8/01/34	10,000,000		2,745,300
8/01/45	34,035,000		4,463,010
Chino CFD Special Tax, No. 03-3, Improvement Area 2, 5.00%, 9/01/36	2,215,000		1,901,267
Chula Vista CFD Special Tax,			
No. 07-I, Otay Ranch Village Eleven, 5.875%, 9/01/34	2,855,000		2,883,550
No. 13-I, Otay Ranch Village Seven, 5.35%, 9/01/36	1,800,000		1,526,310
El Dorado County CFD No. 2001-1 Special Tax, Promontory Specific Plan, 6.30%,			
9/01/31	3,500,000		3,507,910
Foothill/Eastern Transportation Corridor Agency Toll Road Revenue, Capital Appreciation,			
Refunding,			
5.85%, 1/15/23	35,000,000		35,524,300
zero cpn., 1/15/22	49,115,000		29,969,973
zero cpn., 1/15/31	4,000,000		1,250,680
zero cpn., 1/15/34	4,500,000		1,126,260
zero cpn., 1/15/36	4,000,000		866,240
Golden State Tobacco Securitization Corp. Tobacco Settlement Revenue,			
Asset-Backed, Refunding, Senior Series A-1, 5.00%, 6/01/33	9,960,000		7,373,886
Enhanced, Asset-Backed, Refunding, Series A, 5.00%, 6/01/45	15,750,000		14,172,795
Enhanced, Asset-Backed, Refunding, Series A, AMBAC Insured, 5.00%, 6/01/45	13,250,000		11,923,145
Lee Lake Water District CFD No. 3 Special Tax, Retreat, 5.95%, 9/01/34	5,000,000		5,100,000
Livermore CFD Special Tax, No. 06-1, Shea Properties, 5.40%, 9/01/36	6,595,000		5,549,165

Section Sect	Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
SA Angeles Department of Airports Revenue, Los Angeles International Airport, Senior, Refunding, Series A, 5.00%, 5/15/40 52,685,000 52,144,9 so Angeles MFR, Refunding, Series D, 5.00%, 5/15/40 25,000 52,144,9 so Angeles MFR, Refunding, Series J-2B, 8.50%, 1/01/24 5,000 5,00 5,00 5,00 5,00 5,00 5,00 5,	Municipal Bonds (continued)		
Refunding, Series A, 5.00%, \$/15/40 \$ 25,500,000 \$ 25,286, 500 \$ 25,286, 500 \$ 25,485,000 \$ 21,449,00 \$ 21,449,00 \$ 21,449,00 \$ 21,449,00 \$ 21,449,00 \$ 21,449,00 \$ 21,449,00 \$ 21,449,00 \$ 21,449,00 \$ 24,43,00 \$ 24,33,00 \$ 21,449,00 \$ 24,33,00 \$ 21,449,00 \$ 24,33,00	California (continued)		
Series D, 5.00%, 5/15/40	Los Angeles Department of Airports Revenue, Los Angeles International Airport, Senior,		
ns Angeles MFR, Refunding. Series J-1C, 7.125%, 1/01/24 Series J-1C, 7.125%, 1/01/24 130,000 125,8 So Angeles USD, 60, Series KRY, 5.25%, 7/01/34 36,625,000 37,765,10 SAngeles Wastewater System Revenue. Refunding, Series A, NATL Insured, 5.00%, 6/01/30 1,305,000 2,525,9 Series B, 7.00%, 11/01/34 20,000,000 23,197,4 Series B, 7.00%, 11/01/39 20,000,000 21,899,4 000 RDA Tax Allocation, Hamilton Field Redevelopment Project, 6,75%, 9/01/40 3,750,000 21,899,4 000,00	Refunding, Series A, 5.00%, 5/15/40	\$ 25,500,000	\$ 25,238,625
Series J-1C, 7.125%, I/Ō1/24 25,000 54,3 Series J-2R, 8.50%, I/O1/24 130,000 125,8 So Angeles USD, GO, Series KRY, 5.25%, 7/O1/34 36,625,000 37,765,1 So Angeles USD, GO, Series KRY, 5.25%, 7/O1/34 36,625,000 37,765,1 So Angeles USD, GO, Series KRY, 5.25%, 7/O1/34 36,625,000 6,717,2 Series A, NATL Insured, Fre-Retunded, 5.00%, 6/O1/30 1,305,000 6,717,2 Series B, A. NATL Insured, Fre-Retunded, 5.00%, 6/O1/30 30,505,000 6,717,2 Series B, 6. 125%, 11/O1/29 30,505,000 22,555,9 Series B, 7.00%, 11/O1/34 20,000,000 23,197,4 Series B, 7.00%, 11/O1/39 20,000,000 21,899,4 ovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/O1/40 3,750,000 4,034,7 almdale Elementary School District Special Tax, CFD No. 90-1, Series A, AGMC Insured, 2ero cpn., 8/O1/30 1,500,000 441,6 zero cpn., 8/O1/30 1,250,000 441,6 2,500,000 1,070,6 erris UHSD Financing Authority Special Tax, 5,75%,90/O1/30 1,690,000 1,694,2 5,75%,90/O1/30 1,690,000 <td< td=""><td>Series D, 5.00%, 5/15/40</td><td>52,685,000</td><td>52,144,979</td></td<>	Series D, 5.00%, 5/15/40	52,685,000	52,144,979
Series J-28, 8.50%, 1/01/24 5,000 5,0	Los Angeles MFR, Refunding,		
**Series J-2C, 8.50%, 1/01/24 **Series L-2C, 8.50%, 1/01/24 **Series L-2C, 8.50%, 1/01/24 **Series KRY, 5.25%, 7/01/34 **Series KRY, 5.25%, 7/01/34 **Series KRY, 5.25%, 7/01/34 **Series KRY, 5.25%, 7/01/34 **Series KRY, 5.25%, 7/01/30 **Series A, NATL Insured, 5.00%, 6/01/30 **Series A, NATL Insured, 5.00%, 6/01/30 **Series A, NATL Insured, Fre-Refunded, 5.00%, 6/01/30 **Series A, NATL Insured, Fre-Refunded, 5.00%, 6/01/30 **Series A, 7.00%, 11/01/39 **Series B, 6.125%, 11/01/29 **Series B, 7.00%, 11/01/34 **Series C, 6.50%, 11/01/34 **Series C, 6.50%, 11/01/39 **Series B, 7.00%, 11/01/34 **Series C, 6.50%, 11/01/39 **Series B, 7.00%, 11/01/39 **Series B, 6.125%, 11/01/29 **Series B, 7.00%, 11/01/39 **Series B, 7.00%, 11/01/39 **Series B, 6.125%, 11/01/29 **Series B, 7.00%, 11/01/34 **Series B, 7.00%, 11/01/39 **Series B, 20%, 11	Series J-1C, 7.125%, 1/01/24	25,000	24,366
as Angeles USD, GO, Series KRY, 5.25%, 7/01/34 as Angeles Wastewater System Revenue, Refunding, Series A, NATL Insured, 5.00%, 6/01/30 Li,305,000 Li,305,000 Li,305,000 Li,305,000 Li,358,00 Series A, NATL Insured, 7er-Refunded, 5.00%, 6/01/30 Le-R. Energy Authority Gas Revenue, Series B, 6.125%, 11/01/29 Series B, 7.00%, 11/01/34 Series B, 7.00%, 11/01/39 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Series C, 6.50%, 11/01/39 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Series C, 6.50%, 11/01/39 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Series C, 6.50%, 11/01/39 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Series C, 6.50%, 11/01/39 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Series C, 6.50%, 11/01/39 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Series D, Rothild Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Sero cp. no. 8/01/28 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 Lovato	Series J-2B, 8.50%, 1/01/24	5,000	5,000
os Angeles Wastewater System Revenue, Refunding, Series A, NATL Insured, 5.00%, 6/01/30 1,358,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,360,00 1,388,00 1,388,00 1,388,00 1,388,00 1,388,00 1,388,00 1,388,00 1,360,00 1,388,00 1,388,00 1,388,00 1,388,00 1,388,00 1,388,0	^a Series J-2C, 8.50%, 1/01/24	130,000	125,830
Refunding, Series A, NATL Insured, 5.00%, 6/01/30	Los Angeles USD, GO, Series KRY, 5.25%, 7/01/34	36,625,000	37,765,136
Refunding, Series A, NATL Insured, 5.00%, 6/01/30	Los Angeles Wastewater System Revenue,		
Series A, NATL Insured, Pre-Refunded, 5.00%, 6/01/30 6,225,000 6,717,2 -S-R Energy Authority Gas Revenue, 30,505,000 32,525,9 -Series B, 6.125%, 11/01/29 30,505,000 32,525,9 -Series B, 7.00%, 11/01/34 20,000,000 21,899,4 -Series B, 7.00%, 11/01/39 1,500,000 4,034,7 -Series B, 801/30 1,250,000 4,034,7 -Series B, 801/30 1,250,000 441,6 -Series C, 801/30 1,250,000 441,6 -Series C, 801/30 1,250,000 1,070,6 -Series C, 801/31 1,250,000 1,094,2 -Series C, 801/31 1,250,000 1,094,2 -Series C, 801/31 1,250,000 1,694,2 -Series C, 801/31 1,690,000 1,694,2 -Series C, 801/		1,305,000	1,358,08
LS-R Energy Authority Gas Revenue, Series B, 6.125%, 11/01/29 30,505,000 32,525,9 Series B, 7.00%, 11/01/34 Series C, 6.50%, 11/01/39 20,000,000 23,197,4 Series C, 6.50%, 11/01/39 20,000,000 21,899,4 voato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 3,750,000 4,034,7 almdale Elementary School District Special Tax, CFD No. 90-1, Series A, AGMC Insured, zero cpn., 8/01/28 2ero cpn., 8/01/28 1,500,000 443,8 zero cpn., 8/01/31 1,250,000 443,8 zero cpn., 8/01/31 2ero cpn. to 8/01/25, 5.625% thereafter, 8/01/34 2ero cpn. series C, 8,500,000 1,070,6 erris UHSD Financing Authority Special Tax, 5.75%, 9/01/30 1,690,000 1,694,2 6.125%, 9/01/41 5,500,000 5,522,3 oway USD Special Tax, CFD No. 14, Del Sur, 5.25%, 9/01/36 6.125%, 9/01/41 5,500,000 5,522,3 oway USD Special Tax, CFD No. 14, Del Sur, 5.25%, 9/01/36 7,465,000 6,686,1 inverside County Transportation Commission Toll Revenue, senior lien, Series A, 2ero cpn., 6/01/42 7,000,000 904,1 Series B, 2ero cpn., 6/01/32 4,000,000 1,128,1 Series B, zero cpn., 6/01/32 5,500,000 695,3 oexilis Special Tax, CFD No. 10, Whitney Ranch, 5.00%, 9/01/35 7,000,000 695,3 oexilis Special Tax, CFD No. 1, Westpark, 5.25%, 9/01/25 1,provement Area 1, 5.40%, 9/01/38 7,900,000 7,483,6 oexilis Special Tax, CFD No. 1, Westpark, 5.25%, 9/01/25 1,provement Area 2, 5.35%, 9/01/28 1,provement Area 2, 5.35%, 9/01/28 1,provement Area 2, 5.40%, 9/01/36 1,provement Area 2, 5.40%, 9/01/38 1,500,000 1,518,9 an Buenaventura Revenue, Community Memorial Health System, 8.00%, 12/01/41 1,000,000 1,128,14 1,165,000 1,138,4 1,165,000 1,138,4 1,165,000 1,138,4 1,165,000 1,164,8 an Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.00%, 4401/29 an Francisco City and County RDA Lease Revenue, George R. Moscone Convention Center,			6,717,27
Series B, 6.125%, 11/01/29 30,505,000 32,525,9 Series B, 7.00%, 11/01/34 20,000,000 23,197,4 Series C, 6.50%, 11/01/39 20,000,000 21,899,4 ovato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 3,750,000 4,034,7 almdale Elementary School District Special Tax, CFD No. 90-1, Series A, AGMC Insured, 2 2 zero cpn., 8/01/38 1,500,000 623,2 2 zero cpn., 8/01/31 1,250,000 411,6 2,500,000 417,6 zero cpn. to 8/01/25, 5.625% thereafter, 8/01/34 2,500,000 1,070,6 2 1,000,000 1,070,6 erris UHSD Financing Authority Special Tax, 5.75%, 9/01/30 1,690,000 1,694,2 6,00%, 9/01/33 2,570,000 2,589,4 6,125%, 9/01/30 1,699,000 1,582,4 6,125%, 9/01/30 1,699,000 5,522,3 3,894,4 6,125%, 9/01/30 7,465,000 6,686,1 1,000,000 5,522,4 4,000,000 5,522,3 3,500,000 5,522,3 8,733,3 3,867,5%,6/01/4 2,965,000 2,877,3 3,867,5%,6/01/4 2,965,000 2,877,3		, ,	, ,
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Series C, 6.50%, 11/01/39 20,000,000 21,899,4 voato RDA Tax Allocation, Hamilton Field Redevelopment Project, 6.75%, 9/01/40 3,750,000 4,034,7 almdale Elementary School District Special Tax, CFD No. 90-1, Series A, AGMC Insured, zero cpn., 8/01/28 1,550,000 443,8 zero cpn., 8/01/30 1,250,000 441,6 zero cpn. to 8/01/25, 5.625% thereafter, 8/01/34 2,500,000 1,070,6 erris UHSD Financing Authority Special Tax, 5.75%, 9/01/30 1,690,000 1,694,2 6.00%, 9/01/33 2,500,000 5,522,3 oway USD Special Tax, CFD No. 14, Del Sur, 5.25%, 9/01/36 7,465,000 5,522,3 oway USD Special Tax, CFD No. 14, Del Sur, 5.25%, 9/01/36 7,465,000 6,686,1 iverside County Tansportation Commission Toll Revenue, senior lien, Series A, 2ro cpn., 6/01/42 7,000,000 904,1 Series B, zero cpn., 6/01/42 7,000,000 1,128,1 Series B, zero cpn., 6/01/42 7,000,000 904,1 Series B, zero cpn., 6/01/41 5,500,000 6,25,3 ocklin Special Tax, CFD No. 10, Whitney Ranch, 5.00%, 9/01/35 7,030,000 6,216,6 omoland School District Special Tax, CFD No. 1 Improvement Area 1, 5.35%, 9/01/38 7,000,000 7,483,6 oseville Special Tax, CFD No. 1, Westpark, 5.25%, 9/01/25 1,550,000 1,438,4 T.50%, 12/01/41 15,000,000 1,128,1 Series B, zero cpn., 6/01/41 15,000,000 1,128,1 Series B, zero cpn., 6/01/41 15,000,000 1,431,3 Series B, zero cpn., 6/01/41 1,000,000 1,431,3 Series B, zero cpn., 6/01/41 1,000,000 1,431,3 Series B, zero cpn., 6/01/41 1,000,000 1,431,4 Series B, zero cpn., 6/01/41 1,000,000 1,500,000 Series B,			
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zero cpn., 8/01/28 1,500,000 623,2 zero cpn., 8/01/30 1,250,000 443,8 zero cpn., 8/01/31 1,250,000 411,6 zero cpn. to 8/01/25, 5.625% thereafter, 8/01/34 2,500,000 1,070,6 erris UHSD Financing Authority Special Tax, 5.75%, 9/01/30 1,690,000 1,694,2 6.00%, 9/01/33 2,570,000 2,589,4 6.125%, 9/01/41 5,500,000 5,522,3 oway USD Special Tax, CFD No. 14, Del Sur, 5.25%, 9/01/36 7,465,000 6,686,1 iverside County Transportation Commission Toll Revenue, senior lien, Series A, 5.75%, 6/01/42 2,965,000 2,877,3 Series A, zero cpn., 6/01/42 7,000,000 904,1 Series B, zero cpn., 6/01/33 5,500,000 1,281,281 Series B, zero cpn., 6/01/32 4,000,000 1,128,1 Series B, zero cpn., 6/01/32 4,000,000 1,281,281 Series B, zero cpn., 6/01/41 5,000,000 695,3 oxcllin Special Tax, CFD No. 10, Whitney Ranch, 5.00%, 9/01/35 7,030,000 695,3 oxcllin Special Tax, CFD No. 10, Whitney Ranch, 5.00%, 9/01/35 7,030,000 6,216,6 omoland School District Special Tax, CFD No. 1, Improvement Area 1, 5.35%, 9/01/28 7,015,000 6,047,6 Improvement Area 1, 5.35%, 9/01/38 7,000,000 7,483,6 oseville Special Tax, CFD No. 1, Westpark, 5.25%, 9/01/25 1,550,000 1,518,9 and Buenaventura Revenue, Community Memorial Health System, 8.00%, 12/01/41 1,500,000 11,388,4 17,50%, 12/01/41 1,500,000 12,384,0 5,375% thereafter, 7/01/42 41,165,000 9,656,4 and Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.00%, 4/01/29 10,000,000 10,164,8 and Francisco City and County RDA Lease Revenue, George R. Moscone Convention Center,		0,700,000	1,001,70
zero cpn., 8/01/30 1,250,000 443,8 zero cpn., 8/01/31 1,250,000 411,6 zero cpn. to 8/01/25, 5.625% thereafter, 8/01/34 2,500,000 1,070,6 erris UHSD Financing Authority Special Tax, 5.75%, 9/01/30 1,690,000 1,694,2 6.00%, 9/01/33 2,570,000 2,589,4 6.125%, 9/01/41 5,500,000 5,522,3 0		1 500 000	623 23
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Improvement Area 1, 5.40%, 9/01/36 6,175,000 6,047,6 Improvement Area 2, 5.35%, 9/01/38 7,900,000 7,483,6 oseville Special Tax, CFD No. 1, Westpark, 5.25%, 9/01/25 1,550,000 1,518,9 an Buenaventura Revenue, Community Memorial Health System, 10,000,000 11,388,4 7.50%, 12/01/31 10,000,000 16,141,0 an Diego USD, GO, Election of 2008, Series E, zero cpn. to 7/01/32, 41,165,000 12,384,0 5.375% thereafter, 7/01/47 33,305,000 9,656,4 an Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.00%, 10,000,000 10,164,8 an Francisco City and County RDA Lease Revenue, George R. Moscone Convention Center,	·	7.015.000	6 006 64
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7.50%, 12/01/41			
an Diego USD, GO, Election of 2008, Series E, zero cpn. to 7/01/32, 5.25% thereafter, 7/01/42			11,388,40
5.25% thereafter, 7/01/42 41,165,000 12,384,0 5.375% thereafter, 7/01/47 33,305,000 9,656,4 an Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.00%, 10,000,000 10,164,8 an Francisco City and County RDA Lease Revenue, George R. Moscone Convention Center,	,	15,000,000	16,141,05
5.375% thereafter, 7/01/47	San Diego USD, GO, Election of 2008, Series E, zero cpn. to 7/01/32,		
an Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.00%, 4/01/29	5.25% thereafter, 7/01/42	41,165,000	12,384,07
4/01/29	,	33,305,000	9,656,45
an Francisco City and County RDA Lease Revenue, George R. Moscone Convention Center,	San Francisco City and County COP, Multiple Capital Improvement Projects, Series A, 5.00%,		
an Francisco City and County RDA Lease Revenue, George R. Moscone Convention Center,	4/01/29	10,000,000	10,164,80
	San Francisco City and County RDA Lease Revenue, George R. Moscone Convention Center,		
	zero cpn., 7/01/14	2,250,000	2,229,61

Franklin High Yield 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, 5.60%, 1/15/16	\$ 22,500,000	\$	23,105,700
Capital Appreciation, Refunding, Series A, 5.65%, 1/15/17	20,000,000		20,519,200
Capital Appreciation, Refunding, Series A, zero cpn. to 7/15/21, 5.75% thereafter,			
1/15/41	35,256,000		16,071,800
Capital Appreciation, Refunding, Series A, zero cpn. to 7/15/21, 5.75% thereafter,	00,200,000		10,071,000
1/15/42	35,256,000		15,992,474
junior lien, ETM, zero cpn., 1/01/24	52,700,000		37,248,887
junior lien, ETM, zero cpn., 1/01/25	45,200,000		30,077,888
junior lien, ETM, zero cpn., 1/01/26	131,900,000		82,545,658
junior lien, ETM, zero cpn., 1/01/27	139,100,000		81,641,963
senior lien, Capital Appreciation, 5.00%, 1/01/33	44,970,000		41,209,609
	44,970,000		41,209,009
San Jose Special Hotel Tax Revenue, Convention Center Expansion and Renovation Project,	10 000 000		10 027 000
6.50%, 5/01/42	10,000,000		10,837,800
San Mateo-Foster City School District GO, Capital Appreciation, Election of 2008, Series A,	40,000,000		17.040.600
zero cpn. to 8/01/26, 6.625% thereafter, 8/01/42	40,000,000		17,849,600
San Mateo UHSD, GO, Capital Appreciation, Election of 2010, Refunding, Series A, zero cpn.	00 000 000		0.025.000
to 9/01/28, 6.70% thereafter, 9/01/41	20,000,000		8,935,200
Saugus USD Special Tax, CFD No. 2002-1, Pre-Refunded, 6.00%, 9/01/33	3,150,000		3,150,000
Seal Beach CFD No. 2005-01 Special Tax, Pacific Gateway Business Center, 5.30%,			4 70 4 700
9/01/36	2,000,000		1,794,500
South Bayside Waste Management Authority Solid Waste Enterprise Revenue, Shoreway	7 740 000		7 751 455
Environmental Center, Series A, 6.00%, 9/01/36	7,740,000		7,751,455
Southern California Public Power Authority Gas Project Revenue, Project No. 1, Series A,			
5.25%, 11/01/27	9,855,000		9,893,434
Stockton 1915 Act Special Assessment, Limited Obligation, Mosher AD No. 2003-2, 6.30%,			
9/02/33	6,000,000		6,032,460
^{a,b} Stockton PFA Lease Revenue, Capital Improvement Projects, Series A,			
6.75%, 9/01/29	15,905,000		7,952,500
7.00%, 9/01/38	12,175,000		6,087,500
Tustin CFD No. 06-01 Special Tax, Legacy/Columbus Villages, Series A, 6.00%, 9/01/36	19,840,000		19,895,552
		1,	419,113,656
Colorado 2 69/			, ,
Colorado 3.6% Colorado State Health Facilities Authority Revenue, Hospital, Refunding, Series C,			
	20,000,000		20.024.000
AGMC Insured, 5.25%, 3/01/40	20,000,000		20,034,600
Denver City and County Airport System Revenue,	10.050.000		0.000.447
Series B, 4.00%, 11/15/43	10,250,000		8,222,447
Series D, 7.75%, 11/15/13	95,000		96,396
Denver City and County Special Facilities Airport Revenue, United Air Lines Project,			
Refunding, Series A, 5.25%, 10/01/32	9,000,000		7,504,290
Denver Convention Center Hotel Authority Revenue, senior bond, Refunding, XLCA Insured,			
5.00%,			
12/01/30	15,000,000		14,896,050
12/01/35	15,000,000		14,415,000
Denver Health and Hospital Authority Healthcare Recovery Zone Facility Revenue, Series A,			
Pre-Refunded, 6.25%, 12/01/33	4,000,000		4,291,480

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Colorado (continued)		
E-470 Public Highway Authority Senior Revenue,		
Capital Appreciation, Refunding, Series B, NATL Insured, zero cpn., 9/01/37	\$ 15,720,000	\$ 3,574,885
Capital Appreciation, Series A, NATL Insured, zero cpn., 9/01/28	15,000,000	6,403,800
Capital Appreciation, Series B, NATL Insured, zero cpn., 9/01/29	10,000,000	3,989,900
Capital Appreciation, Series B, NATL Insured, zero cpn., 9/01/30	17,300,000	6,442,174
Capital Appreciation, Series B, NATL Insured, zero cpn., 9/01/31	10,000,000	3,476,800
Series A, Sub Series A-1, NATL Insured, 5.50%, 9/01/24	10,000,000	10,428,000
Series C, 5.375%, 9/01/26	5,000,000	5,053,600
Series C, Sub Series C-1, NATL Insured, 5.50%, 9/01/24	3,000,000	3,128,400
Series D, Sub Series D-1, NATL Insured, 5.50%, 9/01/24	6,000,000	6,256,800
Eagle County Sports and Housing Facilities Revenue, Vail Associate Project, Refunding,	0,000,000	0,230,000
6.95%, 8/01/19	41,200,000	41,137,376
Plaza Metropolitan District No. 1 Revenue, Refunding, 5.00%, 12/01/40	3,000,000	2,718,690
Public Authority for Colorado Energy Natural Gas Purchase Revenue,	3,000,000	2,710,030
6.125%, 11/15/23	2,465,000	2,763,709
6.25%, 11/15/28	12,500,000	13,496,125
6.50%, 11/15/38	90,100,000	96,887,233
Regional Transportation District COP, Series A, 5.00%, 6/01/25	13,500,000	14,167,710
Superior Metropolitan District No. 1 Special Revenue, Refunding, AMBAC Insured, 5.00%,	13,300,000	14,107,710
12/01/28	7,640,000	7,655,433
a.c Villages Castle Rock Metropolitan District No. 4 Revenue, Refunding, 8.50%, 6/01/31	3,000,000	2,636,550
villages dastic flock metropolitali bistrict flo. 4 floveride, florariding, 0.5076, 0/01/01	3,000,000	
		299,677,448
Connecticut 0.1%		
Connecticut State Health and Educational Facilities Authority Revenue, St. Mary's Hospital		
Issue, Refunding, Series E, 5.50%, 7/01/20	5,650,000	5,592,653
District of Columbia 2.5%		
District of Columbia Ballpark Revenue, Series B-1, NATL RE, FGIC Insured, 5.00%,		
2/01/35	16,000,000	15,310,240
District of Columbia Hospital Revenue, Children's Hospital Obligated Group, Assured Guaranty,	.,,.	-,,
5.25%, 7/15/38	11,000,000	10,730,830
District of Columbia Income Tax Secured Revenue,	, ,	, ,
Refunding, Series D, 4.00%, 12/01/37	3,740,000	3,202,450
Series C, 4.00%, 12/01/37	8,905,000	7,625,084
District of Columbia Revenue,	, ,	, ,
American Society of Hematology Issue, 5.00%, 7/01/36	1,500,000	1,444,560
American Society of Hematology Issue, 5.00%, 7/01/42	2,000,000	1,900,380
Assn. of American Medical Colleges Issue, Series B, 5.25%, 10/01/36	12,425,000	12,481,285
The Catholic University of America Issue, Refunding, 5.00%, 10/01/34	3,750,000	3,764,850
Center for Strategic and International Studies Inc. Issue, Refunding, 6.375%, 3/01/31	5,200,000	5,269,316
Center for Strategic and International Studies Inc. Issue, Refunding, 6.625%, 3/01/41	5,500,000	5,556,375
Deed Tax, Series A, 5.00%, 6/01/40	13,000,000	12,462,710
Georgetown University Issue, Growth and Income Securities, AMBAC Insured, zero cpn. to	,,	, . ,
3/31/18, 5.00% thereafter, 4/01/36	27,105,000	19,080,294
The Methodist Home of the District of Columbia Issue, 6.00%, 1/01/29	4,750,000	4,378,502
The Methodist Home of the District of Columbia Issue, Series A, 7.375%, 1/01/30	2,525,000	2,540,504
The Methodist Home of the District of Columbia Issue, Series A, 7.50%, 1/01/39	4,580,000	4,606,610
, , , , , , , , , , , , , , , , , , , ,		

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
District of Columbia (continued)		
District of Columbia Tobacco Settlement FICO Revenue,		
Asset-Backed Bonds, Refunding, 6.50%, 5/15/33	\$ 22,000,000	\$ 22,442,420
Capital Appreciation, Asset-Backed Bonds, Series A, zero cpn., 6/15/46	175,000,000	11,075,750
Capital Appreciation, Asset-Backed Bonds, Series B, zero cpn., 6/15/46	66,000,000	1,716,000
Metropolitan Washington D.C. Airports Authority Dulles Toll Road Revenue,	, ,	, ,,,,,,,,
Capital Appreciation, second lien, Series C, Assured Guaranty, zero cpn. to 10/01/16,		
6.50% thereafter, 10/01/41	60,145,000	52,943,238
Washington Convention and Sports Authority Dedicated Tax Revenue, senior lien, Convention	,- :-,- :-	,,
Center Hotel Project, Series A, 5.00%, 10/01/40	10,000,000	9,379,900
Contai Hotol Hojot, Conta N, Clock, 10/01/10	10,000,000	
		207,911,298
Florida 6.9%		
Bartram Springs CDD Special Assessment, Refunding, 4.75%, 5/01/34	4,500,000	4,086,135
Boggy Creek Improvement District Special Assessment Revenue, Refunding, 5.125%,		
5/01/43	5,000,000	3,942,700
Brevard County Health Facilities Authority Health Care Facilities Revenue, Health First Inc.		
Project, 7.00%, 4/01/39	6,500,000	7,095,465
Brooks of Bonita Springs CDD Capital Improvement Revenue, 6.85%, 5/01/31	1,185,000	1,185,510
Cape Coral Water and Sewer Revenue, Refunding, Series A, AGMC Insured, 5.00%,	, ,	, ,
10/01/42	10,000,000	9,716,100
Championsgate CDD Capital Improvement Revenue, Series A, 6.25%, 5/01/20	1,550,000	1,435,207
Citizens Property Insurance Corp. Revenue, High-Risk Account, senior secured, Series A-1,	_,,	-, ,
6.00%, 6/01/17	25,000,000	28,720,750
Citrus County Hospital Board Revenue, Citrus Memorial Hospital, Refunding, 6.375%,		,,
8/15/32	10,550,000	9,749,149
Collier County Educational Facilities Authority Revenue, Ave Maria University Inc. Project,		-,,
Refunding, Series A, 6.00%,		
6/01/33	5,500,000	5,387,360
6/01/38	12,000,000	11,652,720
East Homestead CDD Special Assessment Revenue, 5.45%, 5/01/36	1,400,000	1,321,698
Escambia County Environmental Improvement Revenue, International Paper Co. Projects,	1,400,000	1,021,030
Series A, 9.50%, 3/01/33	7,975,000	9,598,471
Florida State Board of Education Public Education GO, Capital Outlay, Refunding, Series D,	7,370,000	3,030,171
6.00%, 6/01/23	5,000,000	6,144,400
Florida State Governmental Utility Authority Utility Revenue,	0,000,000	0,111,100
Lake Aqua Utility System, Series A, 5.00%, 10/01/40	2,500,000	2,331,600
Pasco Aqua Utility System, Series A, 5.00%, 10/01/40	5,260,000	4,836,254
Greenway Improvement District Special Assessment Revenue, 5.125%, 5/01/43	35,750,000	28,190,305
Halifax Hospital Medical Center Hospital Revenue, Daytona Beach, Refunding and	33,730,000	20,130,303
Improvement, Series A, 5.375%, 6/01/46	18,000,000	15,973,200
Hillsborough County IDA, PCR, Tampa Electric Co. Project, Series A, 5.65%, 5/15/18	6,525,000	7,377,295
	0,323,000	7,377,293
Hillsborough County IDAR, Series B, Pre-Refunded, 5.25%,	1,500,000	1 505 475
10/01/28	, ,	1,505,475
10/01/34	7,250,000	7,276,462
Hillsborough County School Board COP, Master Lease Program, Refunding, Series A, 5.00%,	15 715 000	16 622 012
7/01/29	15,715,000	16,632,913
Indian Trace Development District Special Assessment, Isles at Weston Project, 5.50%,	0.500.000	0.070.157
5/01/33	2,560,000	2,270,157

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Florida (continued)		
Indigo CDD Capital Improvement Revenue, Refunding,		
Series A, 7.00%, 5/01/31	\$ 800,000	\$ 706,472
^{a,b} Series C, 7.00%, 5/01/30	4,275,451	2,137,726
Islands at Doral CDD Special Assessment, 6.125%, 5/01/24	1,350,000	1,359,936
Lake Ashton CDD Revenue, Capital Improvement, Series A, 7.40%, 5/01/32	1,210,000	1,112,087
Lakeland Retirement Community Revenue, first mortgage, Carpenters Estates, Accredited	, ,	, ,
Investors, Refunding,		
5.875%, 1/01/19	1,255,000	1,351,761
6.25%, 1/01/28	1,230,000	1,292,177
6.375%, 1/01/43	2,250,000	2,334,308
Lee County Transportation Facilities Revenue, Sanibel Bridges and Causeway Project,	,,	, ,
Series B, CIFG Insured, 5.00%, 10/01/30	11,505,000	11,809,652
Martin County Health Facilities Authority Hospital Revenue, Martin Memorial Medical Center,	, ,	, ,
5.50%, 11/15/42	3,800,000	3,671,218
Miami-Dade County Aviation Revenue, Miami International Airport, Refunding, Series A,	, ,	, ,
5.50%, 10/01/41	20,850,000	21,326,631
Miami-Dade County Educational Facilities Authority Revenue, University of Miami, Refunding,	, ,	, ,
Series B, AMBAC Insured, 5.25%, 4/01/27	10,995,000	11,630,291
Miami-Dade County Expressway Authority Toll System Revenue,	, ,	, ,
Refunding, Series A, 5.00%, 7/01/29	5,385,000	5,515,855
Refunding, Series A, 5.00%, 7/01/30	6,000,000	6,080,760
Refunding, Series A, 5.00%, 7/01/31	5,900,000	5,945,666
Series A, 5.00%, 7/01/40	44,360,000	41,797,766
Miami-Dade County School Board COP,		, ,
Refunding, Series A, 5.00%, 5/01/32	10,000,000	9,879,900
Series B, Assured Guaranty, 5.00%, 5/01/33	14,310,000	14,504,616
Miami-Dade County Special Obligation Revenue,		
Refunding, Series A, 5.00%, 10/01/28	8,365,000	8,468,140
Refunding, Series A, 5.00%, 10/01/29	10,000,000	10,035,800
Refunding, Series A, 5.00%, 10/01/30	11,925,000	11,910,928
sub. bond, Refunding, Series B, 5.00%, 10/01/31	5,000,000	4,947,050
sub. bond, Refunding, Series B, 5.00%, 10/01/32	3,300,000	3,232,350
Miami-Dade County Transit System Sales Surtax Revenue, 5.00%, 7/01/42	24,355,000	23,700,825
Midtown Miami Community Development Special Assessment Revenue,		
Series A, 6.25%, 5/01/37	7,500,000	7,389,975
Series B, 6.50%, 5/01/37	3,785,000	3,789,920
North Sumter County Utility Dependent District Utility Revenue, sub. bond,		
6.00%, 10/01/30	3,780,000	3,986,577
6.25%, 10/01/43	6,865,000	7,134,451
Northern Palm Beach County ID Special Assessment, Water Control and Improvement Bonds,		
Unit of Development No. 46, Series A, 5.35%, 8/01/41	800,000	749,424
Orlando-Orange County Expressway Authority Revenue, Series C, 5.00%,		
7/01/35	7,965,000	7,788,496
7/01/40	15,000,000	14,400,000
Palm Glades CDD Revenue, Special Assessment, Series A, 5.30%, 5/01/36	1,100,000	982,718
Pelican Marsh CDD Special Assessment Revenue, Refunding,	. ,	,
4.875%, 5/01/22	1,380,000	1,334,957
5.375%, 5/01/31	1,500,000	1,426,830
	. ,	

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Florida (continued)		
Pensacola Airport Revenue, Refunding, 6.00%, 10/01/28	\$ 7,000,000	\$ 7,643,440
Port St. Lucie Utility System Revenue, Refunding, Series A, NATL Insured, 5.00%,		
9/01/29	11,025,000	11,509,549
a,b Portofino Landings CDD Special Assessment, Series A, 5.40%, 5/01/38	2,705,000	946,750
River Place St. Lucie CDD Special Assessment Revenue, Series A, 7.625%,		
5/01/21	750,000	739,380
5/01/30	1,590,000	1,490,132
Somerset CDD Revenue, Capital Improvement, 5.30%, 5/01/37	7,000,000	4,633,510
South Broward Hospital District Revenue, South Broward Hospital District Obligated Group,		
Refunding,		
4.75%, 5/01/32	11,235,000	10,556,631
5.00%, 5/01/36	12,500,000	12,087,875
South Miami Health Facilities Authority Hospital Revenue, Baptist Health South Florida		
Obligated Group, 5.00%, 8/15/32	15,000,000	14,854,650
South-Dade Venture CDD Special Assessment Revenue, Pre-Refunded, 6.00%, 5/01/24	1,990,000	2,084,485
Stonegate CDD Special Assessment Revenue, Pre-Refunded, 6.00%, 5/01/24	1,635,000	1,712,630
Verandah East CDD Revenue, Capital Improvement, Series A, 5.40%, 5/01/37	1,825,000	1,250,016
Village CDD No. 6 Special Assessment Revenue, Refunding, 4.00%, 5/01/29	6,555,000	6,070,782
Village CDD No. 8 Special Assessment Revenue, 6.375%, 5/01/38	8,100,000	9,062,442
Village CDD No. 9 Special Assessment Revenue,		
6.75%, 5/01/31	8,490,000	9,396,307
7.00%, 5/01/41	7,545,000	8,413,203
Refunding, 5.00%, 5/01/22	1,860,000	1,874,173
Refunding, 5.25%, 5/01/31	2,260,000	2,291,211
Refunding, 5.50%, 5/01/42	2,245,000	2,247,874
Village CDD No. 10 Special Assessment Revenue,		
5.00%, 5/01/32	6,000,000	5,456,760
5.125%, 5/01/43	9,000,000	8,027,820
Village Center CDD Recreational Revenue, sub. bond,		
Series B, 8.25%, 1/01/17	900,000	903,222
Series C, 7.375%, 1/01/19	1,565,000	1,569,445
Waters Edge CDD Capital Improvement Revenue, 5.30%, 5/01/36	1,500,000	1,303,920
Westchase East CDD Capital Improvement Revenue, 7.10%, 5/01/21	850,000	850,153
Winter Garden Village at Fowler Groves CDD Special Assessment, 5.65%, 5/01/37	1,820,000	1,836,344
		568,977,293
Coordin 2 09/		 , ,
Georgia 2.9% Atlanta Tax Allocation, Princeton Lakes Project, 5.50%, 1/01/31	1,035,000	1,057,739
	1,035,000	1,057,759
Atlanta Water and Wastewater Revenue, Refunding, Series A, 6.25%, 11/01/34	30,000,000	33,200,700
Series B, AGMC Insured, 5.25%, 11/01/34	30,000,000	30,375,300
Baldwin County Hospital Authority Revenue, Oconee Regional Medical Center, 5.375%,	30,000,000	30,373,300
12/01/28	1,470,000	1,329,865
	1,470,000	1,329,603
Burke County Development Authority PCR, Oglethorpe Power Corp. Vogtle Project,	EE 000 000	E0 101 7E0
Series C, 5.70%, 1/01/43	55,000,000	58,181,750
Series E, 7.00%, 1/01/23	25,000,000	28,674,250
Carrollton Payroll Development Authority Revenue, UWG Phase II LLC Project, AGMC Insured, 5.00%, 6/15/40	10,000,000	10,077,000
Adivid Hisulau, J.00 /0, 0/13/40	10,000,000	10,077,000

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Georgia (continued)		
Floyd County Development Authority Environmental Improvement Revenue, Temple-Inland		
Inc., Refunding, 5.70%, 12/01/15	\$ 1,575,000	\$ 1,579,221
Forsyth County Hospital Authority Revenue, Anticipation Certificates, Georgia Baptist Health		
Care System Project, ETM,		
6.25%, 10/01/18	4,565,000	5,098,968
6.375%, 10/01/28	8,000,000	9,606,800
Fulton County Residential Care Revenue, Lenbrook Project, Series A, 5.00%, 7/01/27	5,000,000	4,538,700
Gainesville RDA Educational Facilities Revenue, Riverside Military Academy Project,		
Refunding, 5.125%, 3/01/37	6,500,000	5,577,130
Henry County Hospital Authority Revenue, Henry Medical Center Inc. Project, Refunding,		
NATL Insured, 5.00%, 7/01/34	15,000,000	15,281,700
Main Street Natural Gas Inc. Revenue, Gas Project, Series A, 5.50%,		
9/15/25	5,000,000	5,312,250
9/15/27	4,000,000	4,171,120
9/15/28	10,000,000	10,352,300
McDuffie County Development Authority Waste Disposal Revenue, Temple-Inland Forest		
Products Corp. Project, Pre-Refunded, 6.95%, 12/01/23	5,120,000	5,222,400
Richmond County Development Authority Environmental Improvement Revenue, International		
Paper Co. Project, Series A, 6.25%, 11/01/33	7,000,000	7,386,120
Savannah EDA Revenue, Recovery Zone Facility, International Paper Co. Project, Series A,		
6.25%, 11/01/33	4,865,000	5,133,353
		242,156,666
Hawaii 0.2%		
Hawaii State Department of Budget and Finance Special Purpose Revenue,		
Hawaiian Electric Co. and Subsidiary Projects, 6.50%, 7/01/39	7,500,000	8,156,175
Series A, 6.875%, 7/01/43	5,595,000	5,459,377
3CHC3 N, 0.07 370, 770 1743	3,333,000	
		 13,615,552
Idaho 0.6%		
Idaho Health Facilities Authority Revenue, St. Luke's Health System Project, Series A, 6.75%,		
11/01/37	12,500,000	13,582,750
Idaho State Housing and Finance Assn. EDR, TDF Facilities Project, Series A, 7.00%,		
2/01/36	13,305,000	14,513,094
Nez Perce County PCR, Potlatch Corp. Projects, Refunding, 6.00%, 10/01/24	22,500,000	22,497,975
		50,593,819
Illinois 6 09/		
Illinois 6.9% Antioch Village Special Service Area No. 1 Special Tax, Deercrest Project, 6.625%,		
	3,214,000	2,585,567
3/01/33	3,214,000	2,565,567
zero cpn., 1/01/35	19,800,000	5,590,332
Bourbonnais Industrial Project Revenue, Olivet Nazarene University Project, 5.50%,	13,000,000	3,330,332
11/01/40	2 570 000	2 226 451
Bryant PCR, Central Illinois Light Co. Project, Refunding, NATL Insured, 5.90%, 8/01/23	3,570,000 11,000,000	3,336,451
• • • • • • • • • • • • • • • • • • • •	, ,	11,030,470
Cary Special Tax, Special Service Area No. 2, Refunding, Radian Insured, 5.00%, 3/01/30 Chicago Board of Education GO,	3,025,000	2,761,281
Refunding, Series F, 5.00%, 12/01/31	12,500,000	11,740,500
-		, ,
, , , , , , , , , , , , , , , , , , , ,		
Jenes A, J.00/6, 12/01/42	40,200,000	54,051,430
Series A, 5.50%, 12/01/39 Series A, 5.00%, 12/01/42	6,500,000 40,200,000	6,154,525 34,631,496

Franklin High Yield Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Illinois (continued)			
Chicago GO,			
Project, Series A, 5.25%, 1/01/35	\$ 7,000,000	\$	6,549,690
Refunding, Series A, AGMC Insured, 5.00%, 1/01/27	34,105,000	Ψ	33,420,513
Chicago O'Hare International Airport Revenue,	34,103,000		33,420,313
General Airport, third lien, Refunding, Series A, AGMC Insured, 5.00%, 1/01/38	16,500,000		15,610,980
General Airport, third lien, Series A, NATL RE, FGIC Insured, 5.00%, 1/01/33	15,000,000		15,002,250
Passenger Facility Charge, Series B, 5.00%, 1/01/35	12,555,000		12,669,250
Passenger Facility Charge, Series B, 5.00%, 1/01/40	20,430,000		20,527,451
Chicago Sales Tax Revenue, Refunding, Series A, 5.00%, 1/01/41	10,000,000		9,969,700
Chicago Transit Authority Sales Tax Receipts Revenue, 5.25%, 12/01/36			
	11,000,000		11,013,640
Chicago Wastewater Transmission Revenue, Project, second lien,	F 000 000		2 070 050
4.00%, 1/01/42	5,000,000		3,879,850
5.00%, 1/01/42	14,805,000		13,868,288
Cook County GO, Refunding,	0.700.000		0.776.410
Series A, 5.25%, 11/15/33	8,720,000		8,776,418
Series C, 5.00%, 11/15/29	34,555,000		34,325,209
Series G, 5.00%, 11/15/28	23,000,000		23,080,960
Illinois Finance Authority Water Facility Revenue, American Water Capital Corp. Project,			
5.25%,			
10/01/39	10,200,000		9,646,344
5/01/40	10,415,000		9,843,841
Illinois Health Facilities Authority Revenue, Thorek Hospital and Medical Center, Refunding,			
5.375%, 8/15/28	8,595,000		8,604,970
Illinois State Finance Authority Revenue,			
Institute of Technology, 6.50%, 2/01/23	1,000,000		1,047,100
Institute of Technology, 7.125%, 2/01/34	1,500,000		1,571,190
Lutheran Hillside Village, Refunding, 5.25%, 2/01/37	7,500,000		6,823,275
Recovery Zone Facility, Navistar International Corp. Project, 6.50%, 10/15/40	4,500,000		4,524,975
Resurrection Health Care, Series A, AGMC Insured, 5.25%, 5/15/29	15,500,000		15,834,645
Riverside Health System, 6.25%, 11/15/35	5,000,000		5,261,050
Roosevelt University Project, Refunding, 6.50%, 4/01/39	15,000,000		15,812,100
Rush University Medical Center Obligated Group, Series B, 7.25%, 11/01/38	10,000,000		11,474,800
Sherman Health Systems, Series A, 5.50%, 8/01/37	17,240,000		17,887,879
Illinois State Finance Authority Student Housing Revenue,			
CHF-DeKalb II LLC, Northern Illinois University Project, 6.875%, 10/01/43	15,000,000		16,369,950
CHF-Normal LLC, Illinois State University Project, 7.00%, 4/01/43	7,500,000		8,063,850
Illinois State GO,			
5.25%, 7/01/29	15,000,000		14,808,600
5.25%, 7/01/31	5,000,000		4,858,750
5.00%, 3/01/35	1,000,000		893,780
5.00%, 3/01/36	2,000,000		1,776,480
5.00%, 3/01/37	2,000,000		1,768,020
5.50%, 7/01/38	5,000,000		4,829,000
Series A, 5.00%, 4/01/35	10,000,000		8,923,400
Series A, 5.00%, 4/01/36	10,000,000		8,880,600
Series A, 5.00%, 4/01/38	20,000,000		17,593,600
Metropolitan Pier and Exposition Authority Dedicated State Tax Revenue, McCormick Place	20,000,000		,000,000
Expansion Project, Series A, 5.50%, 6/15/50	10,475,000		10,441,166
<u> </u>	10, 170,000		20,111,100

Municipal Bonds (continued) Minios (continued)	Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Metropolitian Pier and Exposition Authority Hospitality Facilities Revenue, McCormick Place Convention Center, ETM, 7,00%, 7701/26 \$7,500,000 \$9,812.175	Municipal Bonds (continued)		
Convention Center, ETM, 7.00%, 7/01/26 \$9,812,175	Illinois (continued)		
Minooka Special Assessment, Improvement, Prairie Ridge Project, 6.875%, 3/01/33 2,854,000 2,777,941 Other Creek Water Reclamation District Kane County GO. Separate Waterworks and Sewerage Systems Alternate Revenue Source, Refunding, XLCA Insured, 5.00%, 1/01/39 4,500,000 4,126,860 Plano Special Service Area No. 2 Special Tax, Lakewood Springs Project, Series B, 6.375%, 3/01/34 7,575,000 7,493,872 Railspiltter Tobacco Settlement Authority Revenue, 6.25%, 6/01/24	Metropolitan Pier and Exposition Authority Hospitality Facilities Revenue, McCormick Place		
Olter Creek Water Reclamation District Kane County GO, Separate Waterworks and Sewerage Systems Alternate Revenue Source, Refunding, XLCA Insured, 5.00%, 1/01/39 4,500,000 4,126,860 Plano Special Service Area No. 2 Special Tax, Lakewood Springs Project, Series B, 6.375%, 3/01/34 7,575,000 7,493,872 Railspiliter Tobacco Settlement Authority Revenue, 6.25%, 6/01/24 26,000,000 6,438,360 Refunding, 6.00%, 6/01/28 26,008,3890 20,600,000 6,083,890 University of Illinois University Revenue, Auxiliary Facilities System, Refunding, NATL Insured, 5,00%, 4/01/32 3,770,000 3,830,735 Wauconda Special Service Area No. 1 Special Tax, Liberty Lakes Project, 6.00%, 3/01/33 4,313,000 4,337,627 6.625%, 3/01/33 4,313,000 5,177,702 Yorkville United City Special Service Area Special Tax, No. 2003-101, Windett Ridge Project, 6.875%, 3/01/33 13,000 3,700 No. 2004-104, MPI Grande Reserve Project, 6.00%, 3/01/36 4,245,000 3,466,792 No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36 8,000,000 7,197,840 Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/32 8,000,000 7,197,840 Coshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 5,065,00	Convention Center, ETM, 7.00%, 7/01/26	\$ 7,500,000	\$ 9,812,175
Systems Alternate Revenue Source, Refunding, XLCA Insured, 5.00%, 1/01/39 4,500,000 4,126,860 Plano Special Service Area No. 2 Special Tax, Lakewood Springs Project, Series B, 6.375%, 3/01/34 7,575,000 7,493,872 Railsplitter Tobacco Settlement Authority Revenue, 6.25%, 6/01/24 6,000,000 6,438,360 Refunding, 6.00%, 6/01/28 24,650,000 26,083,890 University of Illinois University Revenue, Auxiliary Facilities System, Refunding, NATL Insured, 5,00%, 4/01/32 3,770,000 3,830,735 Wauconda Special Service Area No. 1 Special Tax, Liberty Lakes Project, 6,00%, 3/01/33 4,313,000 4,337,627 6.625%, 3/01/33 13,000 4,337,627 6,625%, 3/01/33 13,000 8,700 No. 2003-101, Windett Ridge Project, 6.875%, 3/01/34 4,093,000 3,626,892 No. 2003-101, Windett Ridge Project, 6.675%, 3/01/36 13,000 3,626,892 Indiana 1.8% 2 2 2 2 Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/35 8,000,000 7,197,840 2 7,197,840 2 7,220,000 6,189,850 2 6,665,900 6,085,900 6,085,900 6,065,900 6,085,900 6,085,900 </td <td>Minooka Special Assessment, Improvement, Prairie Ridge Project, 6.875%, 3/01/33</td> <td>2,854,000</td> <td>2,777,941</td>	Minooka Special Assessment, Improvement, Prairie Ridge Project, 6.875%, 3/01/33	2,854,000	2,777,941
Plano Special Service Area No. 2 Special Tax, Lakewood Springs Project, Series B, 6.375%, 37,575,000	Otter Creek Water Reclamation District Kane County GO, Separate Waterworks and Sewerage		
3/01/34	Systems Alternate Revenue Source, Refunding, XLCA Insured, 5.00%, 1/01/39	4,500,000	4,126,860
Railsplitter Tobacco Settlement Authority Revenue, 6.25%, 6/01/26	Plano Special Service Area No. 2 Special Tax, Lakewood Springs Project, Series B, 6.375%,		
6.25%, 6/01/24	3/01/34	7,575,000	7,493,872
Refunding, 6.00%, 6/01/28	Railsplitter Tobacco Settlement Authority Revenue,		
University of Illinois University Revenue, Auxiliary Facilities System, Refunding, NATL Insured, 5.00%, 4/01/32	6.25%, 6/01/24	6,000,000	6,438,360
5.00%, 4/01/32 3,770,000 3,830,735 Wauconda Special Service Area No. 1 Special Tax, Liberty Lakes Project, 6.00%, 3/01/33 4,313,000 4,337,627 6.625%, 3/01/33 5,104,000 5,177,702 Yorkville United City Special Service Area Special Tax, No. 2003-101, Windett Ridge Project, 6.875%, 3/01/33 13,000 8,700 No. 2004-104, MPI Grande Reserve Project, 6.00%, 3/01/36 4,093,000 3,426,782 No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36 4,245,000 3,668,996 Indiana 1.8% Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/33 8,000,000 7,197,840 2/01/38 8,001/36 5,000,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5,25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5,75%, 8/15/19 3,000,000 2,977,590 8/15/28 3,000,000 2,977,590 8/15/28 5,00%, 6/01/32 10,000,000 9,385,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Indiana Health and Educationa	Refunding, 6.00%, 6/01/28	24,650,000	26,083,890
Wauconda Special Service Area No. 1 Special Tax, Liberty Lakes Project, 6.00%, 3/01/33 4,313,000 4,337,627 6.02%, 3/01/33 5,104,000 5,177,702 Yorkville United City Special Service Area Special Tax, No. 2003-101, Windett Ridge Project, 6.875%, 3/01/33 13,000 8,700 No. 2004-104, MPI Grande Reserve Project, 6.375%, 3/01/34 4,093,000 3,426,782 No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36 4,245,000 3,668,996 Indiana 1.8% Earmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/33 8,000,000 7,197,840 2/01/38 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5,25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 3,00%, 6/01/32 10,000,000 9,385,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. Project, Series A, 5,00%, 6/01/32 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, 5,50%, 3/01/37 8,000,000 8,131,680 Indiana, Refunding, 5,25%	University of Illinois University Revenue, Auxiliary Facilities System, Refunding, NATL Insured,		
6.02%, 3/01/33	5.00%, 4/01/32	3,770,000	3,830,735
6.625%, 3/01/33 5,104,000 5,177,702 Yorkville United City Special Service Area Special Tax, No. 2003-101, Windett Ridge Project, 6.875%, 3/01/33 13,000 8,700 No. 2004-104, MPI Grande Reserve Project, 6.075%, 3/01/34 4,093,000 3,426,782 No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36 4,245,000 3,668,996 Indiana 1.8% Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/33 8,000,000 7,197,840 2/01/38 8,000,000 7,197,840 2/01/38 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 3,000,000 4,520,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community 8,000,000 8,131,680 Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of Indiana Serior Living, 5,25%, 11/15/35 12,000,000 11,054,520	Wauconda Special Service Area No. 1 Special Tax, Liberty Lakes Project,		
Vorkville United City Special Service Area Special Tax, No. 2003-101, Windett Ridge Project, 6.875%, 3/01/33 13,000 8,700 No. 2004-104, MPI Grande Reserve Project, 6.375%, 3/01/34 4,093,000 3,426,782 No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36 4,245,000 3,668,996 Indiana 1.8% 571,247,826 Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/33 8,000,000 7,197,840 2/01/38 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5.25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 5,000,000 2,977,590 8/15/28 3,00%,6/01/32 10,000,000 9,385,600 10,000,000 9,385,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. Project, Series A, 5.00%, 6/01/32 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community 10,000,000 8,131,680 Indiana Refunding, 5.25%, 11/15/35 12,000,000 11,054,520 Indiana Health Facility Fina	6.00%, 3/01/33	4,313,000	
No. 2003-101, Windett Ridge Project, 6.875%, 3/01/33 13,000 8,700 No. 2004-104, MPI Grande Reserve Project, 6.375%, 3/01/34 4,093,000 3,426,782 No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36 4,245,000 3,668,996 Indiana 1.8% Earnel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/33 8,000,000 7,197,840 3/01/33 8,000,000 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5,25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/19 3,000,000 2,977,590 8/15/28 5,000,000 9,385,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, 5,50%, 3/01/37 8,000,000 8,131,680 Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of Indiana Braility Financing Authority Revenue, Baptist Homes of Indiana Obligated Group, Pre-Refunded, 6,25%, 3/01/25 5,900,000 6,132,696 <td< td=""><td>,</td><td>5,104,000</td><td>5,177,702</td></td<>	,	5,104,000	5,177,702
No. 2004-104, MPI Grande Reserve Project, 6.375%, 3/01/34			
No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36 4,245,000 3,668,996 571,247,826 10diana 1.8% 2		·	,
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Indiana 1.8% Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/33 8,000,000 7,197,840 2/01/38 8,000,000 6,189,850	No. 2005-108, Autumn Creek Project, 6.00%, 3/01/36	4,245,000	3,668,996
Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%, 8/01/33 8,000,000 7,197,840 2/01/38 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5.25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 3,000,000 4,520,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, 5,50%, 3/01/37 8,000,000 8,131,680 Indiana, Refunding, 5.25%, 11/15/35 12,000,000 11,054,520 Indiana Health Facility Financing Authority Hospital Revenue, Baptist Homes of Indiana Obligated Group, Pre-Refunded, 6.25%, 3/01/25 5,900,000 6,132,696 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 <			571,247,826
8/01/33 8,000,000 7,197,840 2/01/38 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5.25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 5,000,000 4,520,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community 8,000,000 8,131,680 Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of Indiana, Refunding, 5.25%, 11/15/35 12,000,000 11,054,520 Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, Pre-Refunded, 6.25%, 3/01/25 5,900,000 6,132,696 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Act	Indiana 1.8%		
8/01/33 8,000,000 7,197,840 2/01/38 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5.25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 5,000,000 4,520,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community 8,000,000 8,131,680 Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of Indiana, Refunding, 5.25%, 11/15/35 12,000,000 11,054,520 Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, Pre-Refunded, 6.25%, 3/01/25 5,900,000 6,132,696 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Act	Carmel RDA Lease Rental Revenue, Multipurpose, Series A, 4.00%,		
2/01/38 7,220,000 6,189,850 Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5.25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 5,000,000 4,520,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. Project, Series A, 5.00%, 6/01/32 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, 5.50%, 3/01/37 8,000,000 8,131,680 Indiana, Refunding, 5.25%, 11/15/35 12,000,000 11,054,520 Indiana Health Facility Financing Authority Hospital Revenue, Baptist Homes of Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, Pre-Refunded,		8.000.000	7.197.840
Delaware County Hospital Authority Hospital Revenue, Cardinal Health System Obligated Group, 5.25%, 8/01/36	2/01/38		
Group, 5.25%, 8/01/36 5,000,000 5,065,500 Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%, 8/15/19 3,000,000 2,977,590 8/15/28 5,000,000 4,520,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community 8,000,000 8,131,680 Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of 12,000,000 11,054,520 Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of 5,900,000 6,132,696 Northwest Indiana Obligated Group, Pre-Refunded, 5,900,000 6,132,696 6.0%, 3/01/25 5,900,000 6,132,696 6.0%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.0%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 7/01/40 15,000,000 12,6			
8/15/19 3,000,000 2,977,590 8/15/28 5,000,000 4,520,600 Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. 10,000,000 9,385,600 Project, Series A, 5.00%, 6/01/32 10,000,000 9,385,600 Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community 8,000,000 8,131,680 Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of 12,000,000 11,054,520 Indiana, Refunding, 5.25%, 11/15/35 12,000,000 11,054,520 Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, Pre-Refunded, 5,900,000 6,132,696 6.25%, 3/01/25 5,900,000 12,458,640 Indiana State Finance Authority Revenue, 12,000,000 12,458,640 Indiana State Finance Authority Revenue, 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 7/01/40 15,000,000 12,677,100 <td< td=""><td></td><td>5,000,000</td><td>5,065,500</td></td<>		5,000,000	5,065,500
8/15/28	Goshen Revenue, Greencroft Obligated Group, Refunding, 5.75%,		
Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. Project, Series A, 5.00%, 6/01/32	8/15/19	3,000,000	2,977,590
Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. Project, Series A, 5.00%, 6/01/32	8/15/28	5,000,000	4,520,600
Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, 5.50%, 3/01/37 8,000,000 8,131,680 Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of Indiana, Refunding, 5.25%, 11/15/35 12,000,000 11,054,520 Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, Pre-Refunded, 6.25%, 3/01/25 5,900,000 6,132,696 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 7/01/40 15,000,000 12,677,100 Indiana State Finance Authority Wastewater Utility Revenue, CWA Authority Project, first lien,			
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Indiana Health and Educational Facility Financing Authority Revenue, Baptist Homes of Indiana, Refunding, 5.25%, 11/15/35	Indiana Health and Educational Facility Financing Authority Hospital Revenue, Community		
Indiana, Refunding, 5.25%, 11/15/35 Indiana, Refunding, 5.25%, 11/15/35 Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, Pre-Refunded, 6.25%, 3/01/25 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 7/01/40 15,000,000 12,677,100 Indiana State Finance Authority Wastewater Utility Revenue, CWA Authority Project, first lien,	Foundation of Northwest Indiana Obligated Group, 5.50%, 3/01/37	8,000,000	8,131,680
Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of Northwest Indiana Obligated Group, Pre-Refunded, 6.25%, 3/01/25 5,900,000 6,132,696 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 7/01/40 15,000,000 12,677,100 Indiana State Finance Authority Wastewater Utility Revenue, CWA Authority Project, first lien,			
Northwest Indiana Obligated Group, Pre-Refunded, 6.25%, 3/01/25 5,900,000 6,132,696 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 7/01/40 15,000,000 12,677,100 Indiana State Finance Authority Wastewater Utility Revenue, CWA Authority Project, first lien,	Indiana, Refunding, 5.25%, 11/15/35	12,000,000	11,054,520
6.25%, 3/01/25 5,900,000 6,132,696 6.00%, 3/01/34 12,000,000 12,458,640 Indiana State Finance Authority Revenue, 5,000,000 4,856,950 Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41 11,000,000 9,987,780 Educational Facilities, Marian University Project, 6.375%, 9/15/41 12,500,000 12,612,875 Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 15,000,000 12,677,100 Indiana State Finance Authority Wastewater Utility Revenue, CWA Authority Project, first lien,	Indiana Health Facility Financing Authority Hospital Revenue, Community Foundation of		
6.00%, 3/01/34	Northwest Indiana Obligated Group, Pre-Refunded,		
Indiana State Finance Authority Revenue, Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41	6.25%, 3/01/25	5,900,000	6,132,696
Baptist Homes of Indiana Senior Living, 5.75%, 11/15/41	6.00%, 3/01/34	12,000,000	12,458,640
Community Foundation of Northwest Indiana Obligated Group, 5.00%, 3/01/41			
Educational Facilities, Marian University Project, 6.375%, 9/15/41			
Private Activity, Ohio River Bridges East End Crossing Project, Series A, 5.00%, 7/01/40			
7/01/40		12,500,000	12,612,875
Indiana State Finance Authority Wastewater Utility Revenue, CWA Authority Project, first lien,			
		15,000,000	12,677,100
Series A, 4.00%, 10/01/42			
	Series A, 4.00%, 10/01/42	22,620,000	17,629,576

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Indiana (continued)		
Indiana State Municipal Power Agency Power Supply System Revenue, Series B, 6.00%,		
1/01/39	\$ 4,000,000	\$ 4,347,880
Jasper County PCR, Northern Indiana Public Service Co. Project, Refunding, Series C,		
NATL Insured,		40.004.000
5.60%, 11/01/16	10,000,000	10,801,900
5.85%, 4/01/19	5,000,000	5,512,850
		151,541,427
lowa 0.5%		
Iowa Finance Authority Midwestern Disaster Area Revenue, Alcoa Inc. Project, 4.75%,		
8/01/42	2,500,000	2,049,825
Iowa Higher Education Loan Authority Revenue, Private College Facility, Upper Iowa University		
Project, Refunding, 6.00%, 9/01/39	11,000,000	11,232,430
Tobacco Settlement Authority Tobacco Settlement Revenue, Capital Appreciation, Asset-Backed,		
Refunding, Series B, 5.60%, 6/01/34	35,850,000	29,285,506
		42,567,761
Kansas 0.2%		
Kansas State Development Finance Authority Hospital Revenue, Adventist Health System/Sunbelt Obligated Group, Refunding, Series C, 5.75%, 11/15/38	6,250,000	6,619,313
Wyandotte County Kansas City Unified Government Utility System Revenue, Improvement,	0,230,000	0,019,515
Series B, 5.00%, 9/01/32	10,000,000	10,151,900
Ochica B, 0.00 /0, 5/01/02	10,000,000	
		16,771,213
Kentucky 1.2%		
Kentucky Economic Development Finance Authority Health System Revenue,		
Norton Healthcare Inc.,		
Refunding, Series C, NATL Insured, 6.10%, 10/01/22	10,650,000	10,771,942
Refunding, Series C, NATL Insured, 6.15%, 10/01/27	3,995,000	4,039,065
Series C, NATL Insured, Pre-Refunded, 6.10%, 10/01/22	5,325,000	5,400,935
Series C, NATL Insured, Pre-Refunded, 6.15%, 10/01/27	6,005,000	6,090,871
Kentucky Economic Development Finance Authority Hospital Facilities Revenue, Owensboro	10.000.000	10.007.000
Medical Health System Inc., Refunding, Series A, 6.50%, 3/01/45	18,330,000	19,087,029
Kentucky Economic Development Finance Authority Louisville Arena Project Revenue,		
Louisville Arena Authority Inc., Series A, Sub Series A-1, Assured Guaranty, 6.00%,	5.000.000	E 000 050
12/01/42	5,000,000	5,090,050
University Inc. Project,		
5.625%, 5/01/29	5,555,000	5,686,376
6.125%, 5/01/39	5,000,000	5,168,800
Louisville/Jefferson County Metro Government Health Facilities Revenue, Jewish Hospital	3,000,000	3,108,800
and St. Mary's HealthCare Inc. Project, Pre-Refunded, 6.125%, 2/01/37	11,500,000	13,797,125
Ohio County PCR, Big Rivers Electric Corp. Project, Refunding, Series A, 6.00%, 7/15/31	10,500,000	9,627,660
Owen County Waterworks System Revenue, American Water Co. Project, Series A,	10,000,000	3,327,000
6.25%, 6/01/39	8,000,000	8,310,960
5.375%, 6/01/40	10,000,000	9,825,100
,	-,,	
		102,895,913

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Louisiana 3.0%		
Beauregard Parish Revenue, Boise Cascade Corp. Project, Refunding, 6.80%, 2/01/27	\$ 13,990,000	\$ 14,040,084
Louisiana Local Government Environmental Facilities and CDA Revenue, Westlake Chemical		
Corp. Projects,		
6.75%, 11/01/32	41,250,000	42,951,975
Series A, 6.50%, 8/01/29	9,000,000	9,807,030
Series A-2, 6.50%, 11/01/35	8,000,000	8,467,280
Louisiana Public Facilities Authority Hospital Revenue, Franciscan Missionaries of Our Lady		
Health System Project, Series A, 6.75%, 7/01/39	10,000,000	10,921,100
Louisiana Public Facilities Authority Revenue,		
Entergy Gulf States Louisiana LLC Project, Refunding, Series A, 5.00%, 9/01/28	25,000,000	25,463,750
Entergy Louisiana LLC Project, Refunding, 5.00%, 6/01/30	8,500,000	8,721,935
Ochsner Clinic Foundation Project, 6.50%, 5/15/37	5,000,000	5,394,250
Ochsner Clinic Foundation Project, 6.75%, 5/15/41	15,500,000	16,913,755
Ochsner Clinic Foundation Project, Series B, 5.25%, 5/15/38	10,000,000	10,045,800
Ochsner Clinic Foundation Project, Series B, 5.50%, 5/15/47	10,000,000	10,102,200
New Orleans GO,		
Limited Tax, NATL Insured, 5.00%, 3/01/21	5,000,000	5,152,650
Public Improvement, Series A, Radian Insured, 5.25%, 12/01/36	13,480,000	13,125,881
Refunding, 5.00%, 12/01/24	4,500,000	4,744,800
Refunding, 5.00%, 12/01/25	2,535,000	2,639,518
St. John the Baptist Parish Revenue, Marathon Oil Corp. Project, Series A, 5.125%,		
6/01/37	59,575,000	57,701,962
Tobacco Settlement Financing Corp. Revenue, Tobacco Settlement Asset-Backed, Refunding,		
Series A, 5.25%, 5/15/35	1,000,000	 936,030
		 247,130,000
Maine 0.3%		
Maine Health and Higher Educational Facilities Authority Revenue, MaineGeneral Medical		
Center Issue,		
6.75%, 7/01/36	4,250,000	4,758,342
7.00%, 7/01/41	10,000,000	11,294,600
Rumford PCR, Boise Cascade Corp. Project, Refunding, 6.625%, 7/01/20	4,800,000	4,817,232
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	 20,870,174
		 20,870,174
Maryland 0.6%		
Harford County Special Obligation Tax Allocation, Beachtree Estates Project, 7.50%,		
7/01/40	7,000,000	7,217,000
Maryland State Community Development Administration Department of Housing and CDR,		
Housing, Series A, 5.875%, 7/01/16	515,000	515,396
Maryland State EDC Port Facilities Revenue, CNX MarineTerminals Inc. Port of Baltimore		
Facility, Refunding, 5.75%, 9/01/25	8,600,000	8,925,166
Maryland State EDC Revenue, Chesapeake Bay Conference Center Project, senior lien,		
Refunding,		
Series A, 5.00%, 12/01/16	2,500,000	1,706,400
Series A, 5.00%, 12/01/31	10,000,000	5,890,500
Series B, 5.00%, 12/01/16	400,000	273,024
Series B, 5.25%, 12/01/31	2,000,000	1,178,640
Maryland State EDC, EDR, 5.75%, 6/01/35	13,070,000	13,091,043

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Maryland (continued)		
Maryland State Health and Higher Educational Facilities Authority Revenue,		
Anne Arundel Health System Issue, Series A, 6.75%, 7/01/39	\$ 3,000,000	\$ 3,417,840
Edenwald Issue, Series A, 5.40%, 1/01/37	1,200,000	1,138,944
Washington County Hospital Issue, 6.00%, 1/01/43	6,000,000	6,037,860
		49,391,813
Massachusetts 1.3%		
Massachusetts Bay Transportation Authority Revenue,		
Assessment, Refunding, Series A, 4.00%, 7/01/37	15,000,000	12,921,300
General Transportation System, Series A, 7.00%, 3/01/21	775,000	960,954
General Transportation System, Series A, ETM, 7.00%, 3/01/21	930,000	1,044,148
Massachusetts State Development Finance Agency Resource Recovery Revenue, Covanta		
Energy Project, Refunding, Series C, 5.25%, 11/01/42	16,000,000	13,130,240
Massachusetts State Development Finance Agency Revenue,	605.000	605.077
Berkshire Retirement Community, first mortgage, 5.60%, 7/01/19	685,000	685,377
Berkshire Retirement Community, first mortgage, 5.625%, 7/01/29	1,620,000	1,617,327
Curry College Issue, Series A, ACA Insured, 5.00%, 3/01/36	2,000,000 610,000	1,859,660 610,470
Loomis Community Project, first mortgage, Refunding, Series A, 5.023%, 7/01/13	3,500,000	3,503,395
Merrimack College Issue, Refunding, Series A, 5.00%, 7/01/27	1,720,000	1,669,759
Merrimack College Issue, Refunding, Series A, 5.00%, 7/01/22	1,450,000	1,367,161
Merrimack College Issue, Refunding, Series A, 5.25%, 7/01/42	2,400,000	2,209,728
North Hill Communities Issue, Series A, 6.25%, 11/15/28	2,250,000	2,170,710
North Hill Communities Issue, Series A, 6.25%, 11/15/33	2,000,000	1,875,740
North Hill Communities Issue, Series A, 6.50%, 11/15/43	4,125,000	3,808,695
Massachusetts State Development Finance Agency Solid Waste Disposal Revenue, Mandatory		
Put 5/01/19, Pre-Refunded, 5.75%, 12/01/42	3,700,000	4,480,219
Massachusetts State Educational Financing Authority Education Loan Revenue, Refunding,		
Series K, 5.25%, 7/01/29	10,000,000	9,788,900
Massachusetts State Port Authority Special Facilities Revenue, ConRAC Project, Series A,	10 240 000	10.040.020
5.125%, 7/01/41	10,340,000	10,240,839
FGIC Insured, 5.50%, 1/01/34	35,000,000	37,214,450
Tale modesa, 6.6678, 1761761	00,000,000	
		111,159,072
Michigan 4.2%		
Detroit City School District GO, School Building and Site Improvement, Series A, AGMC Insured, 6.00%, 5/01/29	15 000 000	15 071 001
Detroit GO, Distribution State Aid, 5.25%, 11/01/35	15,900,000 23,000,000	15,871,221 20,796,370
Detroit Sewage Disposal System Revenue, second lien,	23,000,000	20,790,370
Series A, NATL Insured, 5.00%, 7/01/35	25,750,000	22,552,365
Series B, Assured Guaranty, 5.00%, 7/01/36	10,000,000	8,832,700
Series B, NATL Insured, 5.00%, 7/01/36	3,000,000	2,606,010
Series B, NATL RE, FGIC Insured, 5.50%, 7/01/29	5,000,000	4,762,500
Detroit Water and Sewerage Department Sewage Disposal System Revenue, senior lien,	, ,	
Refunding, Series A, 5.25%, 7/01/39	12,000,000	10,429,440

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Michigan (continued)		
Detroit Water Supply System Revenue,		
Refunding, Series D, NATL Insured, 5.00%, 7/01/33	\$ 20,430,000	\$ 18,208,442
second lien, Refunding, Series C, AGMC Insured, 5.00%, 7/01/33	11,000,000	9,862,930
Ecorse City GO, Financial Recovery, Dedicated Tax, 6.50%, 11/01/35	5,215,000	5,036,595
Garden City Hospital Finance Authority Hospital Revenue, Garden City Hospital Obligated		
Group, Refunding, Series A,		
5.75%, 9/01/17	430,000	427,583
5.00%, 8/15/38	5,250,000	4,239,900
Michigan State Building Authority Revenue, Facilities Program,		
Refunding, Series I, 6.00%, 10/15/38	6,000,000	6,494,700
Refunding, Series I, AMBAC Insured, 5.00%, 10/15/33	13,495,000	13,707,546
Refunding, Series IA, NATL RE, FGIC Insured, 5.00%, 10/15/31	9,500,000	9,744,150
Refunding, Series II-A, 5.375%, 10/15/41	10,000,000	10,068,000
Series II, NATL Insured, Pre-Refunded, 5.00%, 10/15/29	16,585,000	16,673,564
Michigan State Finance Authority Revenue,		
School District of the City of Detroit, Refunding, 5.50%, 6/01/21	10,000,000	11,062,700
Trinity Health Credit Group, Refunding, Series MI, 5.00%, 12/01/39	20,210,000	19,465,262
Michigan State Hospital Finance Authority Revenue,		
Marquette General Hospital Obligated Group, Series A, Pre-Refunded, 5.00%, 5/15/34	6,000,000	6,465,600
MidMichigan Obligated Group, Series A, 6.125%, 6/01/34	4,065,000	4,363,615
Oakwood Obligated Group, Refunding, Series A, 5.00%, 7/15/37	3,680,000	3,307,547
Trinity Health Credit Group, Refunding, Series C, 5.00%, 12/01/34	28,860,000	28,084,532
Michigan State Strategic Fund Limited Obligation Revenue, The Dow Chemical Co. Project,		
Mandatory Put 6/02/14, Refunding, Series A-1, 6.75%, 12/01/28	2,800,000	2,905,588
Refunding, Series B-2, 6.25%, 6/01/14	20,050,000	20,767,790
Michigan Tobacco Settlement Finance Authority Revenue, Tobacco Settlement Asset-Backed,		
Senior Series A, 6.00%,	0.500.000	1 01 4 075
6/01/34	2,500,000	1,914,975
6/01/48	10,000,000	7,262,600
Royal Oak Hospital Finance Authority Hospital Revenue, William Beaumont Hospital Obligated		
Group, Refunding,	00 000 000	00 750 000
Series V, 8.25%, 9/01/39	20,000,000	23,750,000
Series W, 6.00%, 8/01/39	33,120,000	 34,297,416
		 343,961,641
Minnesota 0.5%		
Mahtomedi Senior Housing Revenue, St. Andrews Village Project, Refunding, 5.75%,		
12/01/40	5,000,000	4,453,800
Minneapolis Health Care Facility Revenue, Augustana Chapel View Homes Inc. Project,	, ,	, ,
Series D, 5.875%, 6/01/35	5,075,000	4,658,292
Minneapolis Health Care System Revenue, Fairview Health Services, Series A,	, ,	, ,
6.625%, 11/15/28	11,000,000	12,275,890
6.75%, 11/15/32	6,250,000	6,897,437
Minnesota Agricultural and Economic Development Board Revenue, Health Care System,		
Refunding, Series A, 6.375%, 11/15/29	175,000	175,508
St. Paul Housing and RDA Hospital Facility Revenue, HealthEast Project, 6.00%,		
11/15/35	10,000,000	10,127,800
		38,588,727
		 30,300,727

Franklin High Yield Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Mississippi 0.7%			
Lowndes County Solid Waste Disposal and PCR, Weyerhaeuser Co. Project, Refunding,			
Series B, 6.70%, 4/01/22	\$ 18,875,000	\$	20,853,477
Warren County Gulf Opportunity Zone Revenue, International Paper Co. Project, Series A,			
5.50%, 9/01/31	20,000,000		20,235,000
6.50%, 9/01/32	10,000,000		11,106,200
5.80%, 5/01/34	7,000,000		7,084,070
			59,278,747
Missouri 0.3%			
Missouri Joint Municipal Electric Utility Commission Power Project Revenue, Iatan 2 Project,			
Series A, 6.00%, 1/01/39	11,000,000		11,357,170
St. Louis Airport Revenue, Lambert-St. Louis International Airport, Series A-1,			
6.25%, 7/01/29	7,000,000		7,553,910
6.625%, 7/01/34	3,000,000		3,248,070
St. Louis County IDA Senior Living Facilities Revenue, Friendship Village Chesterfield, 5.00%, 9/01/42	7,000,000		5,826,940
3/01/42	7,000,000	_	27,986,090
Nevada 1.0%		_	27,300,030
Clark County ID Special Assessment,			
Local ID No. 128, The Summerlin Centre, Series A, 5.00%, 2/01/26	1,320,000		1,047,328
Local ID No. 128, The Summerlin Centre, Series A, 5.05%, 2/01/31	1,035,000		766,355
Local ID No. 142, Mountain's Edge Local Improvement, Refunding, 5.00%, 8/01/21	1,620,000		1,614,703
Local ID No. 151, Summerlin-Mesa, 5.00%, 8/01/20	735,000		666,696
Local ID No. 151, Summerlin-Mesa, 5.00%, 8/01/25	2,360,000		1,929,678
Clark County IDR, Southwest Gas Corp. Project, Series D, AMBAC Insured, 5.55%,			, ,
12/01/38	7,260,000		7,281,780
Henderson GO, Refunding, Series A, 4.00%,			
6/01/31	5,685,000		4,907,860
6/01/32	6,230,000		5,299,736
6/01/33	5,240,000		4,403,067
6/01/34	5,230,000		4,339,331
Henderson Health Care Facility Revenue, Catholic Healthcare West, Series A, 5.625%,			
7/01/24	7,000,000		7,178,990
Henderson Local ID Special Assessment,			
No. T-4(C), Green Valley Properties, Refunding, Series A, 5.90%, 11/01/18	3,005,000		3,007,765
No. T-12, Limited Obligation Improvement, Lake Las Vegas NorthShore, Series A, 7.375%,			
8/01/18	19,245,000		19,326,599
No. T-16, Limited Obligation Improvement, The Falls at Lake Las Vegas, 4.90%,			
3/01/16	1,350,000		1,310,985
No. T-16, Limited Obligation Improvement, The Falls at Lake Las Vegas., 5.00%,	055 000		000 100
3/01/18	955,000		903,182
No. T-16, Limited Obligation Improvement, The Falls at Lake Las Vegas., 5.00%,	055 000		000 000
3/01/19	955,000		890,986
No. T-16, Limited Obligation Improvement, The Falls at Lake Las Vegas., 5.10%,	1 440 000		1 200 220
3/01/22	1,440,000		1,288,339
No. T-16, Limited Obligation Improvement, The Falls at Lake Las Vegas., 5.125%, 3/01/25	1,525,000		1,301,801
3/01/23	1,323,000		1,501,601

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Nevada (continued)		
Henderson Local ID Special Assessment, (continued)		
No. T-17, Limited Obligation Improvement, Madeira Canyon, 5.00%, 9/01/15	\$ 685,000	\$ 694,823
No. T-17, Limited Obligation Improvement, Madeira Canyon, 5.00%, 9/01/16	710,000	716,660
No. T-17, Limited Obligation Improvement, Madeira Canyon, 5.00%, 9/01/25	1,315,000	1,221,780
Overton Power District No. 5 Special Obligation Revenue, 8.00%, 12/01/38	7,500,000	8,154,225
		78,252,669
New Hampshire 0.3%		
New Hampshire Health and Education Facilities Authority Revenue, Southern New Hampshire		
University Issue, Refunding, 5.00%, 1/01/42	7,500,000	6,994,725
New Hampshire Higher Educational and Health Facilities Authority Revenue, Hillcrest Terrace,		
7.50%, 7/01/24	12,050,000	11,676,209
New Hampshire State Business Finance Authority Revenue, Elliot Hospital Obligated Group,		
Series A, 6.125%, 10/01/39	5,000,000	5,122,950
		23,793,884
New Jersey 3.3%		
Hudson County Improvement Authority Solid Waste Systems Revenue, Refunding, Series A,		
5.75%, 1/01/40	5,000,000	5,286,700
New Jersey EDA Revenue,		
Cigarette Tax, Pre-Refunded, 5.50%, 6/15/31	6,500,000	6,768,645
Cigarette Tax, Pre-Refunded, 5.75%, 6/15/34	10,000,000	10,432,700
Montclair State University Student Housing Project, Provident Group, Montclair Properties		
LLC, Series A, 5.875%, 6/01/42	5,000,000	5,203,750
New Jersey EDA Special Facility Revenue, Continental Airlines Inc. Project,		
4.875%, 9/15/19	22,500,000	21,072,600
5.125%, 9/15/23	19,800,000	17,681,994
5.25%, 9/15/29	37,900,000	32,218,032
New Jersey Health Care Facilities Financing Authority Revenue,		
Capital Appreciation, St. Barnabas Health Care System Issue, Refunding, Series B,		47.44.500
zero cpn., 7/01/33	57,680,000	17,161,530
Capital Appreciation, St. Barnabas Health Care System Issue, Refunding, Series B,	F0 220 000	14.500.070
zero cpn., 7/01/34	52,330,000	14,528,378
South Jersey Hospital Issue, 5.00%, 7/01/46	6,000,000	5,676,420
St. Joseph's Healthcare System Obligated Group Issue, 6.625%, 7/01/38	27,015,000	26,543,858
New Jersey State Transportation Trust Fund Authority Revenue, Transportation Program, Series AA, 5.00%, 6/15/33	40,000,000	40,194,400
Transportation System, Series AA, 6.00%, 12/15/38	35,705,000	39,373,332
Transportation System, Series A, Pre-Refunded, 6.00%, 12/15/38	19,295,000	23,509,221
Transportation System, Series B, 5.25%, 6/15/36	10,000,000	10,203,900
Transportation System, Series B, 5.2576, 6/15/50	10,000,000	
N. M. 1 70/		275,855,460
New Mexico 1.7% Farmington PCP, Public Service Co. of New Mexico, San Juan Project, Refunding		
Farmington PCR, Public Service Co. of New Mexico, San Juan Project, Refunding,	50 000 000	60 411 640
Series B, 5.90%, 6/01/40	58,000,000 18,435,000	60,411,640 19,201,527
Series D, 5.90%, 6/01/40	53,520,000	55,745,362
Jenes D, 3.30 /0, 0/01/40	33,320,000	33,743,362

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New Mexico (continued)		
New Mexico State Hospital Equipment Loan Council Hospital Revenue, St. Vincent Hospital,		
Series A, Radian Insured, Pre-Refunded,		
5.25%, 7/01/30	\$ 4,360,000	\$ 4,721,836
5.00%, 7/01/35	3,470,000	3,742,291
		143,822,656
New York 3.9%		
Long Island Power Authority Electric System Revenue, General, Refunding, Series A, 6.00%,		
5/01/33	12,500,000	13,693,875
MAC for City of Troy Revenue, Capital Appreciation, Series C, NATL Insured, zero cpn.,		
7/15/21	428,010	331,164
1/15/22	649,658	491,687
MTA Revenue, Transportation,		
Refunding, Series D, 5.00%, 11/15/38	8,790,000	8,628,791
Refunding, Series D, 5.25%, 11/15/40	10,000,000	10,076,600
Series A, 5.00%, 11/15/41	15,500,000	15,200,230
Series F, 5.00%, 11/15/30	7,000,000	7,322,210
New York City GO,		
Refunding, Series H, 6.25%, 8/01/15	20,000	20,082
Refunding, Series H, 6.125%, 8/01/25	5,000	5,014
Series F, 7.50%, 2/01/21	85,000	85,348
Series G, 7.50%, 2/01/22	10,000	10,040
New York City IDA Civic Facility Revenue, Amboy Properties Corp. Project, Refunding, 6.75%,		
6/01/20	4,680,000	4,481,240
American Airlines Inc., JFK International Airport Project, 7.625%, 8/01/25	31,860,000	35,491,722
American Airlines Inc., JFK International Airport Project, 7.75%, 8/01/23	15,000,000	16,540,500
British Airways PLC Project, 7.625%, 12/01/32	15,550,000	15,654,185
New York City Transitional Finance Authority Revenue, Future Tax Secured, Subordinate,	13,330,000	13,034,103
Series I, 5.00%, 5/01/38	15,000,000	15,251,850
New York Liberty Development Corp. Liberty Revenue,	13,000,000	13,231,030
Second Priority, Bank of America Tower at One Bryant Park Project, Class 3, Refunding,		
6.375%, 7/15/49	18,500,000	19,560,605
Seven World Trade Center Project, Refunding, 5.00%, 9/15/43	5,000,000	4,848,750
New York Liberty Development Corp. Revenue, Goldman Sachs Headquarters Issue, 5.25%,	0,000,000	.,0 .0,7 00
10/01/35	65,000,000	66,366,950
New York State Dormitory Authority Revenues, Non-State Supported Debt, Orange Regional	00,000,000	33,333,333
Medical Center,		
6.125%, 12/01/29	16,000,000	15,957,440
6.25%, 12/01/37	30,000,000	29,194,200
Port Authority of New York and New Jersey Revenue, Consolidated, One Hundred Seventy-First	, ,	, , , , , ,
Series, 4.00%, 7/15/37	31,560,000	26,833,575
The Port Authority of New York and New Jersey Special Project Revenue, Continental Airlines	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,,.
Inc., Eastern Project, La Guardia, 9.125%, 12/01/15	14,140,000	14,211,407
Suffolk Tobacco Asset Securitization Corp. Tobacco Settlement Revenue, Series B,	•	•
5.00%, 6/01/32	1,675,000	1,534,468
5.25%, 6/01/37	700,000	641,991

New York (continued)	Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Utica IDA Civic Facility Revenue, Utica College Civic Facility, 6.75%, 1201/21 \$1,160,000 \$1,163,776 \$2,000,000 \$2,008,866 \$325,606,154 \$1,000 \$1,163,776 \$2,000,000 \$2,008,866 \$325,606,154 \$1,000 \$1,000,000 \$1,0	Municipal Bonds (continued)		
6.75%, 12/01/21 \$1,160,000 \$1,163,77 (6.85%, 12/01/31 2,000,000 22,008,466 (325,606,154 (325,606,154 (325,606,154 (325,606),154	New York (continued)		
A	Utica IDA Civic Facility Revenue, Utica College Civic Facility,		
North Carolina 0.7%	,	\$ 1,160,000	\$ 1,163,770
North Carolina 0.7%	6.85%, 12/01/31	2,000,000	2,008,460
Albemarle Hospital Authority Health Care Facilities Revenue, Refunding, 5.25%, 10/01/27			325,606,154
10/01/27	North Carolina 0.7%		
Columbus County Industrial Facilities and PCFA Revenue, Environmental Improvement, International Paper Co. Projects, Series A, 6.25%, 11/01/33 1,300,000 1,371,708 1,101/33 4,000,000 4,220,640 1,101/33 4,000,000 4,220,640 1,101/33 4,000,000 4,220,640 4,000,000 4,220,640 4,000,000 4,220,640 4,000,000 4,220,640 4,000,000 4,220,640 4,000,000 4,685,300 4,685,300 3,625,000 3,625,	Albemarle Hospital Authority Health Care Facilities Revenue, Refunding, 5.25%,		
Environmental Improvement, International Paper Co. Projects, Series A, 6.25%, 11/01/33 1,300,000 1,371,708 1,101/33 4,000,000 4,220,640 1,101/33 4,000,000 4,220,640 1,101/33 4,000,000 4,220,640 1,101/33 4,000,000 4,220,640 1,101/33 4,000,000 4,220,640 1,101/33 4,000,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,500,000 1,101/33 1,750,000 1,101/33 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/35 1,750,000 1,101/32 1,750,000 1,101/32 1,101/34 1,10	10/01/27	4,500,000	4,373,415
11/01/33	Columbus County Industrial Facilities and PCFA Revenue,		
International Paper Co. Projects, Recovery Zone Facility Bonds, Series B, 6.25%, 11/01/33	Environmental Improvement, International Paper Co. Projects, Series A, 6.25%,		
11/01/33		1,300,000	1,371,708
North Carolina Medical Care Commission Health Care Facilities Revenue, Duke University Health System, Series A, 5.00%, 6/01/42			
Duke University Health System, Series A, 5.00%, 6/01/42 15,000,000 14,685,300 Pennybyrn at Maryfield Project, Series A, 5.75%, 10/01/23 3,625,000 3,462,165 Pennybyrn at Maryfield Project, Series A, 6.00%, 10/01/25 2,500,000 2,433,675 Pennybyrn at Maryfield Project, Series A, 5.65%, 10/01/25 2,000,000 1,834,100 Pennybyrn at Maryfield Project, Series A, 5.65%, 10/01/25 21,750,000 19,357,935 North Carolina Medical Care Commission Retirement Facilities Revenue, The United Methodist Retirement Homes Project, first mortgage, Refunding, Series C, 5.25%, 10/01/24 920,000 922,995 5.50%, 10/01/32 1,600,000 1,590,592 54,252,525 50%, 10/01/32 1,600,000 1,590,592 55,00%, 10/01/32 1,600,000 1,590,592 50,000 50		4,000,000	4,220,640
Pennybyrn at Maryfield Project, Series A, 5.75%, 10/01/23	·		
Pennybyrn at Maryfield Project, Series A, 6.00%, 10/01/23 2,500,000 2,433,675 Pennybyrn at Maryfield Project, Series A, 5.65%, 10/01/25 2,000,000 1,834,100 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 19,357,935 21,750,000 1,590,592 21,550%, 10/01/24 9,900,000 1,590,592 21,50%, 10/01/32 1,600,000 1,590,592 25,50%, 10/01/32 1,600,000 1,590,592 25,50%, 10/01/32 1,600,000 1,590,592 25,50% 21,500,000 1,590,592 25,50% 21,500,000 1,590,592 25,500 20,500,592 21,500 20,500,592 21,500 20,500,592 21,500 20,500,592 21,500 20,500,592 21,500 20,500,592 21,500 20,500,592 21,500 20,500,592 21,500 20,500 20,500,592 21,500 20,5			
Pennybyrn at Maryfield Project, Series A, 5.65%, 10/01/25 2,000,000 1,834,100 21,750,000 19,357,938			
Pennybyrn at Maryfield Project, Series A, 6.125%, 10/01/35			
North Carolina Medical Care Commission Retirement Facilities Revenue, The United Methodist Retirement Homes Project, first mortgage, Refunding, Series C, 5.25%, 10/01/24 920,000 1,590,592 5.50%, 10/01/32 1,600,000 1,590,592 54,252,525 Dhio 2.4% American Municipal Power-Ohio Inc. Revenue, Fremont Energy Center Project, Series B, 5.00%, 2/15/37 30,000,000 28,955,100 Bowling Green Student Housing Revenue, CF I LLC, State University Project, 6.00%, 6/01/45 12,500,000 12,762,125 Buckeye Tobacco Settlement Financing Authority Revenue, Asset-Backed, Senior Capital Appreciation Turbo Term Bond, Series A-3, 6.25%, 6/01/37 15,000,000 10,890,300 Senior Current Interest Turbo Term Bond, Series A-2, 5.875%, 6/01/30 22,500,000 16,381,355 Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34 5,000,000 3,463,300 Butler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40 10,000,000 9,915,600 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37 6,000,000 5,884,920 Fairifield County Hospital Revenue, Life Enriching Communities Project, Refunding, 5.00%, 6/15/43 4,970,000 5,271,928 6.625%, 1/01/46 2,500,000 10,900,000 5,860,000 Miami County Hospital Facilities Revenue, Refunding, 6.875%, 1/201/34 5,860,000 6,030,643 Miami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical			
Retirement Homes Project, first mortgage, Refunding, Series C, 5.25%, 10/01/24 920,000 922,995 5.50%, 10/01/32 1,600,000 1,590,592 54,252,525 50%, 10/01/32 1,600,000 1,590,592 54,252,525 50%, 10/01/32 30,000,000 28,955,100 54,252,525 50% 54,252,5		21,750,000	19,357,935
5.25%, 10/01/24 920,000 922,995 5.50%, 10/01/32 1,600,000 1,590,592 54,252,525 50hio 2.4% American Municipal Power-Ohio Inc. Revenue, Fremont Energy Center Project, Series B, 5.00%, 2/15/37 30,000,000 28,955,100 21,433,044 30 22,285,000 21,433,044 30 30 30 30 30 30 30 30 30 30 30 30 30			
5.50%, 10/01/32 1,600,000 1,590,592 54,252,525		000 000	000 000
St,252,525 St,	,	,	
## Chain County Hospital Facilities Revenue, UC Health, 5.50%, 1/10/140 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/101/43 Cleveland-Cuyahoga County Hospital Revenue, Life Enriching Communities Project, Refunding, 5.271,928 Cabox County Hospital Revenue, Life Enriching Communities Project, Series A, 6.50%, 1/01/46 Cabox County Hospital School District GO, School Improvement, Refunding, 6.875%, 12/01/34 Cabox County Hospital Facilities Revenue, Life Enriching and Improvement, Upper Valley Medical County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Cabox County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical Ca	5.50%, 10/01/32	1,600,000	
American Municipal Power-Ohio Inc. Revenue, Fremont Energy Center Project, Series B, 5.00%, 2/15/37			54,252,529
Fremont Energy Center Project, Series B, 5.00%, 2/15/37 30,000,000 28,955,100 Prairie State Energy Campus Project, Refunding, Series A, 5.00%, 2/15/38 22,285,000 21,433,044 Bowling Green Student Housing Revenue, CFP I LLC, State University Project, 6.00%, 6/01/45 12,500,000 12,762,125 Buckeye Tobacco Settlement Financing Authority Revenue, Asset-Backed, Senior Capital Appreciation Turbo Term Bond, Series A-3, 6.25%, 6/01/37 15,000,000 10,890,300 Senior Current Interest Turbo Term Bond, Series A-2, 5.875%, 6/01/30 22,500,000 16,381,350 Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34 5,000,000 3,463,300 Seutler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40 10,000,000 9,915,600 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37 6,000,000 5,884,920 Fairifield County Hospital Revenue, Improvement, Medical Centre Project, Refunding, 5.00%, 6/15/43 10,000,000 9,014,600 Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A, 6.50%, 1/01/41 4,970,000 5,271,928 6.625%, 1/01/46 2,500,000 2,662,750 Little Miami Local School District GO, School Improvement, Refunding, 6.875%, 12/01/34 5,860,000 6,030,643 Miami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical			
Prairie State Energy Campus Project, Refunding, Series A, 5.00%, 2/15/38		30 000 000	28 955 100
Bowling Green Student Housing Revenue, CFP I LLC, State University Project, 6.00%, 6/01/45			, ,
Buckeye Tobacco Settlement Financing Authority Revenue, Asset-Backed, Senior Capital Appreciation Turbo Term Bond, Series A-3, 6.25%, 6/01/37 15,000,000 10,890,300 Senior Current Interest Turbo Term Bond, Series A-2, 5.875%, 6/01/30 22,500,000 16,381,350 Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34 5,000,000 3,463,300 Butler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40 10,000,000 9,915,600 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37 6,000,000 5,884,920 Fairfield County Hospital Revenue, Improvement, Medical Centre Project, Refunding, 5.00%, 6/15/43 10,000,000 9,014,600 Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A, 6.50%, 1/01/41 4,970,000 5,271,928 6.625%, 1/01/46 2,500,000 2,662,750 Little Miami Local School District GO, School Improvement, Refunding, 6.875%, 12/01/34 5,860,000 6,030,643 Wiami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical		22,200,000	21,400,044
Buckeye Tobacco Settlement Financing Authority Revenue, Asset-Backed, Senior Capital Appreciation Turbo Term Bond, Series A-3, 6.25%, 6/01/37 15,000,000 10,890,300 Senior Current Interest Turbo Term Bond, Series A-2, 5.875%, 6/01/30 22,500,000 16,381,350 Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34 5,000,000 3,463,300 Butler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40 10,000,000 9,915,600 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37 6,000,000 5,884,920 Fairfield County Hospital Revenue, Improvement, Medical Centre Project, Refunding, 5.00%, 6/15/43 10,000,000 9,014,600 Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A, 6.50%, 1/01/41 4,970,000 5,271,928 6.625%, 1/01/46 2,500,000 5,860,000 Cittle Miami Local School District GO, School Improvement, Refunding, 6.875%, 12/01/34 5,860,000 6,030,643 Wiami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical		12.500.000	12.762.125
Senior Capital Appreciation Turbo Term Bond, Series A-3, 6.25%, 6/01/37 15,000,000 10,890,300 Senior Current Interest Turbo Term Bond, Series A-2, 5.875%, 6/01/30 22,500,000 16,381,350 Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34 5,000,000 3,463,300 Butler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40 10,000,000 9,915,600 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative 6,000,000 5,884,920 Headquarters Project, 5.00%, 7/01/37 6,000,000 5,884,920 Fairfield County Hospital Revenue, Improvement, Medical Centre Project, Refunding, 5.00%, 10,000,000 9,014,600 Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A, 4,970,000 5,271,928 6.50%, 1/01/41 4,970,000 5,271,928 6.625%, 1/01/46 2,500,000 2,662,750 Little Miami Local School District GO, School Improvement, Refunding, 6.875%, 5,860,000 6,030,643 Wiami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical		12,000,000	12,7 02,120
Senior Current Interest Turbo Term Bond, Series A-2, 5.875%, 6/01/30 22,500,000 16,381,350 Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34 5,000,000 3,463,300 Butler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40 10,000,000 9,915,600 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37 6,000,000 5,884,920 Fairfield County Hospital Revenue, Improvement, Medical Centre Project, Refunding, 5.00%, 6/15/43 10,000,000 9,014,600 Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A, 6.50%, 1/01/41 4,970,000 5,271,928 6.625%, 1/01/46 2,500,000 2,662,750 Little Miami Local School District GO, School Improvement, Refunding, 6.875%, 12/01/34 5,860,000 6,030,643 Miami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical		15.000.000	10.890.300
Senior Current Interest Turbo Term Bond, Series A-2, 5.75%, 6/01/34 5,000,000 3,463,300 Butler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40 10,000,000 9,915,600 Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37 6,000,000 5,884,920 Fairfield County Hospital Revenue, Improvement, Medical Centre Project, Refunding, 5.00%, 6/15/43 10,000,000 9,014,600 Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A, 6.50%, 1/01/41 4,970,000 5,271,928 6.625%, 1/01/46 2,500,000 2,662,750 Little Miami Local School District GO, School Improvement, Refunding, 6.875%, 12/01/34 5,860,000 6,030,643 Miami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical			, ,
Butler County Hospital Facilities Revenue, UC Health, 5.50%, 11/01/40			
Cleveland-Cuyahoga County Port Authority Development Lease Revenue, Administrative Headquarters Project, 5.00%, 7/01/37			
Headquarters Project, 5.00%, 7/01/37		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,,
Fairfield County Hospital Revenue, Improvement, Medical Centre Project, Refunding, 5.00%, 6/15/43		6,000,000	5,884,920
6/15/43 10,000,000 9,014,600 Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A, 4,970,000 5,271,928 6.50%, 1/01/41 2,500,000 2,662,750 Little Miami Local School District GO, School Improvement, Refunding, 6.875%, 5,860,000 6,030,643 Viami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-,,-
6.50%, 1/01/41		10,000,000	9,014,600
6.50%, 1/01/41	Hamilton County Healthcare Revenue, Life Enriching Communities Project, Series A,	•	
6.625%, 1/01/46		4,970,000	5,271,928
12/01/34		2,500,000	2,662,750
Miami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical	Little Miami Local School District GO, School Improvement, Refunding, 6.875%,		
	12/01/34	5,860,000	6,030,643
Center, 5.25%, 5/15/26	Miami County Hospital Facilities Revenue, Refunding and Improvement, Upper Valley Medical		
	Center, 5.25%, 5/15/26	2,750,000	2,787,675

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Ohio (continued)		
Ohio State Air Quality Development Authority Revenue, Environmental Improvement, Buckeye Power Inc. Project, 6.00%, 12/01/40	\$ 15,000,000	\$ 15,289,050
Ohio State Turnpike Commission Revenue, junior lien, Series A-3, zero cpn. to 2/14/23, 5.75% thereafter, 2/15/35	35,000,000	19,987,450
2/15/38	17,000,000	17,292,060
Southeastern Port Authority Hospital Facilities Revenue, Memorial Health System Obligated Group Project, Refunding and Improvement, 6.00%, 12/01/42	8,000,000	8,089,520
Toledo Lucas County Port Authority Airport Revenue, Bax Global Project, Refunding, Series 1, 6.25%, 11/01/13	800,000	 803,080
0111		 196,914,495
Oklahoma 0.1% Oklahoma Davalanmant Financa Authority Continuing Cara Patiroment Payanua Inverness		
Oklahoma Development Finance Authority Continuing Care Retirement Revenue, Inverness Village Community Project, Refunding, 5.75%, 1/01/37	5,000,000	4,552,350
Tulsa Industrial Authority Revenue, Refunding, NATL Insured, 5.00%, 10/01/31	5,325,000	5,717,879
		 10,270,229
Oregon 0.2%	F 000 000	F 000 0F0
Oregon Health and Science University Revenue, Series A, 5.75%, 7/01/39	5,000,000	5,293,050
5.00%, 5/15/22	1,000,000	973,810
5.75%, 5/15/27	1,000,000	996,160
5.625%, 5/15/32	1,000,000	963,530
6.00%, 5/15/42	3,100,000 2,000,000	2,988,865 1,902,960
	_,,	13,118,375
Pennsylvania 1.9%		
Allegheny County Higher Education Building Authority University Revenue, Carlow University Project, Refunding,		
6.75%, 11/01/31	1,215,000	1,261,073
7.00%, 11/01/40	2,000,000	2,075,100
Commonwealth Financing Authority Revenue, Series B, 5.00%, 6/01/42	12,000,000	11,573,760
Delaware County IDAR, Resource Recovery Facility, Refunding, Series A, 6.20%, 7/01/19 Lancaster County Hospital Authority Revenue, Brethren Village Project, Series A,	17,525,000	17,528,505
6.375%, 7/01/30	1,000,000	1,008,460
6.50%, 7/01/40	3,000,000	2,980,800
Series A, 5.50%, 8/15/40	15,000,000	14,548,800
Allegheny Energy Supply Co. LLC Project, 7.00%, 7/15/39	60,000,000	61,436,400
Capital Appreciation, Series C, AGMC Insured, zero cpn. to 6/01/16, 6.25% thereafter,		
6/01/33	5,000,000	4,754,050
sub. bond, Series B, 5.75%, 6/01/39	20,000,000	20,588,000

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Pennsylvania (continued)		
Philadelphia Hospitals and Higher Education Facilities Authority Revenue, Temple University		
Health System Obligated Group,	# 10 000 000	A 0.000 F00
Refunding, Series B, 5.50%, 7/01/26	\$ 10,000,000 10,000,000	\$ 9,890,500
Series A, 5.025%, 7/01/42	10,000,000	8,273,100
		155,918,548
Rhode Island 0.1%		
Rhode Island State Health and Educational Building Corp. Revenue, Hospital Financing,		
Lifespan Obligated Group Issue,	405.000	405.040
Refunding, NATL Insured, 5.75%, 5/15/23	405,000	405,243
Series A, 7.00%, 5/15/39	8,200,000 90,000,000	8,927,012 1,170,000
Tobacco Settlement Floo Nevenue, Asset-backed, Series B, Zero Cpin, 0/01/32	30,000,000	
		10,502,255
South Carolina 1.3%		
Dorchester County School District No. 002 Installment Purchase Revenue, Growth Remedy	16 500 000	17 400 500
Opportunities Tax Hike, Pre-Refunded, 5.25%, 12/01/29	16,500,000	17,498,580
Project, Pre-Refunded, 5.00%, 12/01/26	15,015,000	15,886,921
SCAGO Educational Facilities Corp. for Calhoun School District Revenue, School District of	13,013,000	13,000,321
Calhoun County Project, Radian Insured, 5.00%, 12/01/26	7,540,000	7,611,178
SCAGO Educational Facilities Corp. for Williamsburg School District Revenue, School District		, ,
of Williamsburg County Project, Refunding, Radian Insured, 5.00%, 12/01/31	2,000,000	2,000,440
South Carolina Jobs EDA Student Housing Revenue, Coastal Housing Foundation LLC Project,		
Series A, 6.50%, 4/01/42	10,000,000	10,906,900
South Carolina State Public Service Authority Revenue, Series B, Refunding, 5.125%,	E0 000 000	FO 004 400
12/01/43	52,890,000	52,284,409
		106,188,428
Tennessee 0.8%		
Johnson City Health and Educational Facilities Board Hospital Revenue,		
Capital Appreciation, first mortgage, Refunding, Series A, NATL Insured, zero cpn.,		
7/01/27 P. 6. 1. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2.	19,365,000	8,703,987
Capital Appreciation, first mortgage, Refunding, Series A, NATL Insured, zero cpn., 7/01/28	19,400,000	8,100,276
Mountain States Health Alliance, first mortgage, Refunding, Series A, NATL Insured,	19,400,000	0,100,270
zero cpn 7/01/29	19,365,000	7,495,223
Mountain States Health Alliance, first mortgage, Refunding, Series A, NATL Insured,	13,000,000	7,130,220
zero cpn., 7/01/30	19,370,000	6,878,674
Knox County Health Educational and Housing Facility Board Hospital Revenue, Covenant		
Health, Refunding and Improvement, Series A, zero cpn.,		
1/01/37	12,760,000	3,287,742
1/01/39	13,755,000	3,033,390
Knox County Health Educational and Housing Facility Board Revenue, University Health	22 475 000	22 426 469
System Inc., Refunding, 5.25%, 4/01/36	23,475,000	22,486,468
7/01/23	5,000,000	5,360,250
7/01/24	3,500,000	3,693,305
		69,039,315
		03,033,313

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Texas 8.0%		
Angelina and Neches River Authority Waste Disposal Revenue, Temple-Inland Forest Products		
Corp. Project, 6.95%, 5/01/23	\$ 1,750,000	\$ 1,785,000
Austin Convention Enterprises Inc. Convention Center Hotel Revenue, first tier, Refunding,		
Series B, 5.75%, 1/01/34	15,750,000	15,379,875
Brazos County Health Facilities Development Corp. Franciscan Services Corp. Revenue,		
Obligated Group, St. Joseph Regional Health Center, 5.50%, 1/01/38	5,250,000	5,085,465
Capital Area Cultural Education Facilities Finance Corp. Revenue, The Roman Catholic Diocese		
of Austin, Series B, 6.125%, 4/01/45	10,000,000	10,508,900
Central Texas Regional Mobility Authority Revenue,		
Capital Appreciation, Refunding, zero cpn., 1/01/35	3,000,000	735,960
Capital Appreciation, Refunding, zero cpn., 1/01/37	2,500,000	529,150
Capital Appreciation, Refunding, zero cpn., 1/01/38	2,405,000	474,026
Capital Appreciation, Refunding, zero cpn., 1/01/39	2,545,000	466,906
senior lien, Refunding, 5.75%, 1/01/25	2,350,000	2,455,985
senior lien, Refunding, 6.00%, 1/01/41	7,925,000	7,829,821
senior lien, Refunding, 6.25%, 1/01/46	24,340,000	24,564,658
Comal ISD, GO, Refunding, Series A, PSF Guarantee, 4.00%, 2/01/31	10,500,000	9,835,140
Dallas/Fort Worth International Airport Revenue, Joint Improvement,		
Refunding, Series C, 5.00%, 11/01/45	14,000,000	13,048,140
Series A, 5.00%, 11/01/42	12,000,000	11,382,480
Series A, 5.00%, 11/01/45	50,000,000	46,600,500
Series B, 5.00%, 11/01/44	11,385,000	10,750,286
El Paso Downtown Development Corp. Special Revenue, Downtown Ballpark Venue Project,	15 000 000	16 450 050
Series A, 7.25%, 8/15/38	15,000,000	16,459,050
Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax Toll Revenue, sub. lien,	0.000.000	6 220 160
4.00%, 3/01/46	8,000,000	6,330,160
Grand Parkway Transportation Corp. System Toll Revenue,	1 200 000	1 101 055
First Tier Toll, Series A, 5.125%, 10/01/43	1,300,000	1,191,255
Series B, zero cpn. to 9/30/23, 5.80% thereafter, 10/01/45	10,000,000	5,439,000
Harris County Health Facilities Development Corp. Hospital Revenue, Memorial Hermann	12 500 000	17 271 000
Healthcare System, Series B, Pre-Refunded, 7.25%, 12/01/35	13,500,000	17,271,090
Terminal E Project, Series E, 6.75%,		
7/01/21	35,095,000	35,098,860
7/01/29	31,520,000	31,364,606
Lufkin Health Facilities Development Corp. Health System Revenue, Memorial Health System	31,320,000	31,304,000
of East Texas, Refunding and Improvement, 6.25%, 2/15/37	5,000,000	5,167,050
Matagorda County Navigation District No. 1 PCR, Central Power and Light Co. Project,	3,000,000	3,107,030
Refunding, Series A, 6.30%, 11/01/29	10,000,000	10,953,200
Matagorda County Navigation District No. 1 Revenue, CenterPoint Energy Houston Electric LLC	10,000,000	10,555,200
Project, Refunding, 5.60%, 3/01/27	12,000,000	12,155,160
New Hope Cultural Education Facilities Finance Corp. Student Housing Revenue,	12,000,000	12,100,100
CHF-Stephenville LLC, Tarleton State University Project, Series A, 6.00%, 4/01/45	3,000,000	2,826,390
North Texas Tollway Authority Revenue,	2,200,000	_,0_0,000
Special Projects System, Capital Appreciation, first tier, Refunding, Series I, zero cpn. to		
1/01/15, 6.50% thereafter, 1/01/43	25,000,000	25,592,250
Special Projects System, Capital Appreciation, Series B, zero cpn., 9/01/37	7,500,000	1,716,000
1	, , 3	, -,3

Franklin High Yield Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)	· · · · · · · · · · · · · · · · · · ·		Variation
Texas (continued)			
North Texas Tollway Authority Revenue, (continued)			
Special Projects System, Capital Appreciation, Series C, zero cpn. to 9/01/21,			
6.75% thereafter, 9/01/45	\$ 25,000,000	\$	17,013,750
Special Projects System, Capital Appreciation, Series C, zero cpn. to 9/01/23,	1 - 1,111,111	·	, , , , , , , , , , , , , , , , , , , ,
7.00% thereafter, 9/01/43	10,000,000		6,107,000
System, first tier, Refunding, Series A, 5.625%, 1/01/33	1,000,000		1,036,520
System, first tier, Refunding, Series A, 6.25%, 1/01/39	12,500,000		13,554,875
System, first tier, Refunding, Series A, 5.75%, 1/01/48	30,000,000		30,874,200
System, first tier, Refunding, Series B, 5.00%, 1/01/38	10,000,000		9,751,900
System, first tier, Refunding, Series B, 5.75%, 1/01/40	11,680,000		12,130,614
System, first tier, Refunding, Series K, Sub Series K-2, 6.00%, 1/01/38	15,000,000		15,980,250
System, second tier, Refunding, Series F, 5.75%, 1/01/38	20,000,000		20,582,800
Red River Health Facilities Development Corp. First Mortgage Revenue,			
Eden Home Project, 7.25%, 12/15/42	11,000,000		10,536,240
Wichita Falls Retirement Foundation Project, Refunding, 5.50%, 1/01/32	1,500,000		1,406,100
Wichita Falls Retirement Foundation Project, Refunding, 5.125%, 1/01/41	2,000,000		1,725,480
San Antonio Public Facilities Corp. Lease Revenue, Refunding and Improvement, Convention			
Center Refinancing and Expansion Project, 4.00%,			
9/15/33	13,910,000		12,099,335
9/15/35	4,365,000		3,714,484
9/15/42	41,000,000		33,409,260
Tarrant County Cultural Education Facilities Finance Corp. Revenue, Texas Health Resources			
System, Refunding, 5.00%, 11/15/40	15,225,000		14,633,357
Texas State Municipal Gas Acquisition and Supply Corp. III Gas Supply Revenue, 5.00%,			
12/15/30	25,000,000		22,910,250
12/15/31	24,500,000		22,178,870
12/15/32	25,150,000		22,535,154
Texas State Municipal Power Agency Revenue, sub. lien, Transmission, Refunding, 5.00%,	45.050.000		4-400-40
9/01/40	15,250,000		15,182,748
Texas State Transportation Commission Turnpike System Revenue, first tier, Refunding,	0.500.000		7.046.405
Series A, 5.00%, 8/15/41	8,500,000		7,846,435
Texas State Turnpike Authority Central Turnpike System Revenue, Capital Appreciation,	F1 000 000		16 040 500
AMBAC Insured, zero cpn., 8/15/32	51,000,000		16,040,520
Tyler Health Facilities Development Corp. Hospital Revenue, East Texas Medical Center Regional Healthcare System Project, Refunding and			
	8,000,000		7,423,440
Improvement, Series A, 5.375%, 11/01/37	8,000,000		7,423,440
7/01/37	2,500,000		2,306,900
Wood County Central Hospital District Hospital Revenue, East Texas Medical Center Quitman	2,300,000		2,300,900
Project, 6.00%, 11/01/41	9,350,000		9,885,849
1 loject, 0.00 /6, 11/01/41	9,330,000	_	
			663,862,694
Virginia 1.0%			
Fairfax County EDA Facility Revenue, Community Services Facilities Project, Series A, 4.50%,			
3/01/42	16,980,000		15,844,038
Norfolk Economic Development Authority Health Care Facilities Revenue, Sentara Healthcare,			
Refunding, Series B, 5.00%, 11/01/43	17,575,000		17,198,719

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Virginia (continued)		
Peninsula Ports Authority Coal Terminal Revenue, Dominion Terminal Associates Project,		
Refunding, 6.00%, 4/01/33	\$ 9,500,000	\$ 9,532,300
Asset-Backed, Pre-Refunded, 5.50%, 6/01/26	1,690,000	1,793,800
Capital Appreciation, Second Subordinate, Refunding, Series D, zero cpn., 6/01/47 Virginia Small Business Financing Authority Revenue, Elizabeth River Crossings OPCO LLC	50,000,000	1,016,500
Project, senior lien, 5.50%, 1/01/42	44,290,000	38,482,695
		83,868,052
Washington 2.4%		
Douglas County PUD No. 1 Wells Hydroelectric Revenue, Refunding, Series B, NATL RE,		
FGIC Insured, 5.00%, 9/01/35	7,685,000	7,815,799
6/01/34	11,935,000	12,415,503
6/01/39	16,250,000	16,772,275
Series A, 5.50%, 9/01/42	3,150,000	2,959,393
Ocean Shores Local ID No. 1 Tax Allocation, 7.25%, 2/01/31	15,535,000	17,759,612
12/01/32	2,000,000	1,981,440
12/01/35	5,355,000	5,223,321
Snohomish County Public Hospital District No. 3 GO, Cascade Valley Hospital and Clinics,	0,000,000	0,220,021
AMBAC Insured, 5.00%, 12/01/31	10,000,000	9,881,400
Washington State GO,		
Motor Vehicle Fuel Tax, Refunding, Series R-2011D, 4.00%, 7/01/28	5,575,000	5,422,635
Motor Vehicle Fuel Tax, Series B-1, 4.00%, 8/01/36	9,040,000	7,806,673
Motor Vehicle Fuel Tax, Series B-1, 4.00%, 8/01/42	19,530,000	16,372,194
Various Purpose, Series A, 4.00%, 8/01/36	19,290,000	16,658,265
Washington State Health Care Facilities Authority Revenue,	0.500.000	0.014.025
Central Washington Health Services Assn., 7.00%, 7/01/39	8,500,000	9,214,935
Fred Hutchinson Cancer Research Center, Refunding, Series A, 6.00%, 1/01/33	7,500,000 3,000,000	7,801,275 2,481,600
Kadlec Medical Center, 5.00%, 12/01/42	4,000,000	3,856,400
Providence Health and Services, Refunding, Series A, 5.00%, 10/01/42	18,355,000	17,257,922
Providence Health and Services, Series A, FGIC Insured, Pre-Refunded, 5.00%,	10,555,000	17,237,322
10/01/36	305,000	342,213
Virginia Mason Medical Center, Series B, ACA Insured, 6.00%, 8/15/37	30,000,000	31,169,700
Washington State Higher Education Facilities Authority Revenue, Whitworth University Project,	, ,	, ,
Refunding, 5.625%, 10/01/40	5,235,000	5,238,717
		198,431,272
West Virginia 0.4%		
County Commission of Harrison County Solid Waste Disposal Revenue, Allegheny Energy		
Supply Co. LLC Harrison Station Project, Refunding, Series D, 5.50%, 10/15/37	14,745,000	13,721,992
Pleasants County PCR, County Commission, Series F, 5.25%, 10/15/37	16,250,000	15,626,162
		29,348,154
		23,040,104

Franklin High Yield Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Wisconsin 0.6%			
Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/33 Wisconsin State Health and Educational Facilities Authority Revenue,	\$ 15,000,000	\$	16,306,350
Beaver Dam Community Hospitals, Refunding, Series A, 5.25%, 8/15/34	5,000,000		4,634,600
Fort Healthcare Inc. Project, 5.75%, 5/01/24	5,000,000		5,102,500
Thedacare Inc., AMBAC Insured, 5.00%, 12/15/30	9,530,000		9,600,617
Thedacare Inc., Series A, 5.50%, 12/15/38	5,000,000		5,119,350
Wisconsin State Public Finance Authority Revenue, Adams-Columbia Electric Cooperative,			, ,
NATL Insured, 5.50%, 12/01/40	6,755,000		6,822,618
			47,586,035
			+7,300,033
Wyoming 0.3%			
Campbell County Solid Waste Facilities Revenue, Basin Electric Power Cooperative, Dry Fork			
Station Facilities, Series A, 5.75%, 7/15/39	5,500,000		5,749,535
West Park Hospital District Revenue, West Park Hospital Project, Series A, 7.00%,			
6/01/40	5,500,000		6,198,225
Wyoming CDA Student Housing Revenue, CHF-Wyoming LLC, University of Wyoming Project,	600,000		610 014
6.25%, 7/01/31	600,000		610,314
6.50%, 7/01/43	1,600,000		1,627,232
Wyoming Municipal Power Agency Power Supply Revenue, Series A,	1 250 000		1 404 600
5.50%, 1/01/28	1,350,000		1,424,628
5.50%, 1/01/33	2,360,000		2,471,416
5.50%, 1/01/38	2,810,000		2,932,516
5.375%, 1/01/42	2,750,000		2,849,935
			23,863,801
U.S. Territories 8.5%			
Guam 1.2%			
Guam Government Department of Education COP, John F. Kennedy High School Project,			
Series A,			
6.625%, 12/01/30	5,065,000		4,990,240
6.875%, 12/01/40	4,000,000		4,005,040
Guam Government GO,			
Refunding, Series A, 5.125%, 11/15/27	7,270,000		6,494,364
Refunding, Series A, 5.25%, 11/15/37	37,000,000		31,554,340
Series A, 6.00%, 11/15/19	8,000,000		8,257,600
Series A, 6.75%, 11/15/29	10,000,000		10,403,100
Series A, 7.00%, 11/15/39	15,000,000		15,685,950
Guam Government Waterworks Authority Water and Wastewater System Revenue,			
6.00%, 7/01/25	4,000,000		4,051,840
5.875%, 7/01/35	8,000,000		8,023,120
5.625%, 7/01/40	4,000,000		3,790,640
		_	97,256,234
Northern Mariana Islands 0.1%			
Northern Mariana Islands Commonwealth Ports Authority Seaport Revenue, Senior Series A,			
6.60%, 3/15/28	6,520,000	_	6,141,970

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
U.S. Territories (continued)		
Puerto Rico 6.6%		
Children's Trust Fund Tobacco Settlement Revenue, Asset-Backed Bonds, Refunding,		
5.50%, 5/15/39	\$ 11,500,000	\$ 9,981,655
5.625%, 5/15/43	4,000,000	3,372,200
Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien,		
Refunding, Series A, 5.75%, 7/01/37	18,765,000	13,661,295
Series A, 6.00%, 7/01/38	9,755,000	7,263,768
Series A, 6.00%, 7/01/44	12,420,000	9,046,107
Puerto Rico Commonwealth GO, Public Improvement, Refunding, Series A,		
5.50%, 7/01/26	24,450,000	20,078,095
5.75%, 7/01/28	32,125,000	26,054,339
5.50%, 7/01/39	33,000,000	23,904,540
5.75%, 7/01/41	15,000,000	10,831,800
Puerto Rico Commonwealth Highways and Transportation Authority Highway Revenue,		
NATL Insured, 5.50%, 7/01/28	10,000,000	8,353,200
Puerto Rico Commonwealth Highways and Transportation Authority Transportation Revenue,		
Refunding, Series N, FGIC Insured, 5.25%, 7/01/39	7,500,000	5,199,825
Puerto Rico Commonwealth Infrastructure Financing Authority Special Tax Revenue,		
Refunding, Series C, AMBAC Insured, 5.50%, 7/01/26	4,950,000	4,064,891
Puerto Rico Electric Power Authority Power Revenue,		
Refunding, Series A, 5.00%, 7/01/42	26,990,000	17,942,682
Refunding, Series VV, NATL RE, FGIC Insured, 5.25%, 7/01/32	8,500,000	6,257,785
Series A, 7.25%, 7/01/30	25,000,000	24,242,250
Series A, 6.75%, 7/01/36	10,000,000	8,715,600
Series A, 7.00%, 7/01/43	5,000,000	4,434,450
Series TT, 5.00%, 7/01/32	4,720,000	3,360,970
Series WW, 5.50%, 7/01/38	16,355,000	12,068,518
Series XX, 5.75%, 7/01/36	8,620,000	6,613,954
Series XX, 5.25%, 7/01/40	54,530,000	38,200,991
Puerto Rico Industrial Tourist Educational Medical and Environmental Control Facilities		
Financing Authority Revenue, Cogeneration Facility, AES Puerto Rico Project, 6.625%,		
6/01/26	11,865,000	11,057,587
Puerto Rico PBA Guaranteed Revenue, Government Facilities,		
Refunding, Series U, 5.25%, 7/01/42	22,500,000	14,778,000
Series S, 6.00%, 7/01/41	15,000,000	11,108,700
Puerto Rico Public Finance Corp. Revenue, Commonwealth Appropriation, Refunding,		
Series B, 5.50%, 8/01/31	93,125,000	70,081,219
Puerto Rico Sales Tax FICO Sales Tax Revenue,	10 100 000	0.705.664
Capital Appreciation, first subordinate, Refunding, Series C, zero cpn., 8/01/39	18,130,000	2,725,664
Capital Appreciation, first subordinate, Series A, zero cpn., 8/01/34	4,000,000	893,480
Capital Appreciation, first subordinate, Series A, zero cpn., 8/01/35	4,930,000	1,016,418
Capital Appreciation, first subordinate, Series A, zero cpn. to 8/01/16, 6.75% thereafter,	F2 000 000	44.000.540
8/01/32	53,000,000	44,900,540
Capital Appreciation, first subordinate, Series A, zero cpn. to 8/01/19, 6.25% thereafter,	26 500 000	02.044.000
8/01/33 Spring Appropriation first subgridients Spring Community 2/01/27	36,500,000	23,944,000
Capital Appreciation, first subordinate, Series C, zero cpn., 8/01/37	15,000,000	2,634,450
Capital Appreciation, Series A, zero cpn., 8/01/33	29,950,000	7,270,662
Capital Appreciation, Series C, zero cpn., 8/01/38	30,000,000	4,875,600
first subordinate, Refunding, Series A, Sub Series A-1, 5.00%, 8/01/43	10,000,000	7,710,600
first subordinate, Series A, 5.50%, 8/01/42	61,560,000	50,559,844
	Semia	annual Report 13

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

Franklin High Yield Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued) U.S. Territories (continued) Puerto Rico (continued)		
Puerto Rico Sales Tax FICO Sales Tax Revenue, (continued)		
first subordinate, Series C, 5.50%, 8/01/40	\$ 25,000,000 7,150,000	\$ 20,690,750 6,359,711
		544,256,140
U.S. Virgin Islands 0.6%		
Virgin Islands PFAR,		
Matching Fund Loan Note, Series A, 5.00%, 10/01/32	7,000,000	6,684,930
senior lien, Capital Projects, Series A-1, 5.00%, 10/01/24	555,000	579,775
senior lien, Refunding, Series B, 5.00%, 10/01/25	1,500,000	1,547,460
sub. lien, Refunding, Series C, 5.00%, 10/01/19	9,145,000	9,951,955
sub. lien, Refunding, Series C, 5.00%, 10/01/22	10,000,000 18,380,000	10,611,600 19,570,657
Virgin Islands Matching Fund Loan Note, Blageo Froject, Series A, 6.625%, 10/01/29 Virgin Islands Matching Fund Loan Note, sub. lien, Working Capital, Refunding, Series B,	16,360,000	19,570,657
5.25%, 10/01/29	5,750,000	5,712,740
	,,	54,659,117
Total U.S. Territories		702,313,461
		702,313,401
Total Municipal Bonds before Short Term Investments		
(Cost \$8,176,227,562)		8,069,036,281
Short Term Investments 0.0% [†]		
Municipal Bonds 0.0%†		
Connecticut 0.0% [†]		
d Connecticut State HFA Housing Mortgage Finance Program Revenue, Refunding, Series C,		4
Sub Series C-2, Daily VRDN and Put, 0.06%, 11/15/36	1,300,000	1,300,000
Oregon 0.0% [↑]		
d Oregon State Health Housing Educational and Cultural Facilities Authority Revenue,		
Peacehealth, Daily VRDN and Put, 0.05%, 12/01/15	900,000	900,000
Texas 0.0% [↑]		
^d Texas Water Development Board Revenue, State Revolving Fund, sub. lien, Refunding, Series A, Daily VRDN and Put, 0.06%, 7/15/19	1,000,000	1,000,000
Total Short Term Investments (Cost \$3,200,000)		3,200,000
Total Investments (Cost \$8,179,427,562) 97.6%		8,072,236,281
Other Assets, less Liabilities 2.4%		
		194,780,773
Net Assets 100.0%		\$8,267,017,054

See Abbreviations on page 194.

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

^{*}Security has been deemed illiquid because it may not be able to be sold within seven days. At August 31, 2013, the aggregate value of these securities was \$19,886,856, representing 0.24% of net assets.

bSee Note 6 regarding defaulted securities.

The bond pays interest and/or principal based upon the issuer's ability to pay, which may be less than the stated interest rate or principal paydown.

dVariable 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 Insured Tax-Free Income Fund

	Six Months Ended August 31, 2013 Year Ended February 28,					
Class A	(unaudited)	2013	2012ª	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.63	\$12.37	\$11.39	\$11.88	\$11.20	\$11.48
Income from investment operations ^b :						
Net investment income ^c	0.23	0.45	0.50	0.51	0.52	0.52
Net realized and unrealized gains (losses)	(1.09)	0.24	1.00	(0.49)	0.68	(0.29)
Total from investment operations	(0.86)	0.69	1.50	0.02	1.20	0.23
Less distributions from net investment income	(0.22)	(0.43)	(0.52)	(0.51)	(0.52)	(0.51)
Redemption fees ^d			_	_	_	e
Net asset value, end of period	\$11.55	\$12.63	\$12.37	\$11.39	\$11.88	\$11.20
Total return ^f	(6.91)%	5.69%	13.40%	0.13%	10.93%	2.04%
Ratios to average net assets ^g						
Expenses	0.60%	0.62%	0.62%	0.63%	0.63%	0.63%
Net investment income	3.71%	3.57%	4.25%	4.30%	4.46%	4.57%
Supplemental data	40.040.455	40 ==0 4= :	*****	40.400.0	*****	44 007 00-
Net assets, end of period (000's)	\$2,013,422	\$2,552,174	\$2,312,711	\$2,100,666	\$2,134,949	\$1,807,929
Portfolio turnover rate	0.74%	11.01%	7.08%	17.09%	5.21%	15.12%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Insured Tax-Free Income Fund

	Six Months Ended August 31, 2013 Year Ended February 28,					
Class C	(unaudited)	2013	2012a	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.79	\$12.52	\$11.53	\$12.01	\$11.31	\$11.59
Income from investment operations ^b :						
Net investment income ^c	0.20	0.38	0.44	0.45	0.46	0.47
Net realized and unrealized gains (losses)	(1.11)	0.25	1.00	(0.49)	0.70	(0.30)
Total from investment operations	(0.91)	0.63	1.44	(0.04)	1.16	0.17
Less distributions from net investment income	(0.18)	(0.36)	(0.45)	(0.44)	(0.46)	(0.45)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$11.70	\$12.79	\$12.52	\$11.53	\$12.01	\$11.31
Total return ^f	(7.16)%	5.12%	12.72%	(0.36)%	10.41%	1.46%
Ratios to average net assets ^g						
Expenses	1.16%	1.17%	1.17%	1.18%	1.18%	1.18%
Net investment income	3.15%	3.02%	3.70%	3.75%	3.91%	4.02%
Supplemental data						
Net assets, end of period (000's)	\$383,306	\$547,371	\$455,584	\$385,479	\$339,444	\$196,085
Portfolio turnover rate	0.74%	11.01%	7.08%	17.09%	5.21%	15.12%

^aFor the year ended February 29.

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.

^cBased on average daily shares outstanding.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Insured Tax-Free Income Fund

	Six Months Ended August 31, 2013 Year Ended February 28,					
Advisor Class	(unaudited)	2013	2012a	2011	2010	2009b
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.62	\$12.36	\$11.39	\$11.88	\$11.20	\$11.86
Income from investment operationsc:						
Net investment incomed	0.23	0.46	0.51	0.52	0.53	0.36
Net realized and unrealized gains (losses)	(1.09)	0.25	0.99	(0.49)	0.69	(0.67)
Total from investment operations	(0.86)	0.71	1.50	0.03	1.22	(0.31)
Less distributions from net investment income	(0.22)	(0.45)	(0.53)	(0.52)	(0.54)	(0.35)
Net asset value, end of period	\$11.54	\$12.62	\$12.36	\$11.39	\$11.88	\$11.20
Total return ^e	(6.86)%	5.80%	13.42%	0.23%	11.04%	(2.58)%
Ratios to average net assets ^f						
Expenses	0.51%	0.52%	0.52%	0.53%	0.53%	0.53%
Net investment income	3.80%	3.67%	4.35%	4.40%	4.56%	4.67%
Supplemental data						
Net assets, end of period (000's)	\$51,696	\$72,179	\$62,000	\$21,855	\$9,408	\$1,417
Portfolio turnover rate	0.74%	11.01%	7.08%	17.09%	5.21%	15.12%

^aFor the year ended February 29.

^bFor the period July 1, 2008 (effective date) to February 28, 2009.

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.

dBased on average daily shares outstanding.

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

^fRatios are annualized for periods less than one year.

Statement of Investments, August 31, 2013 (unaudited)

Franklin Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds 97.8%		
Alabama 4.0%		
Birmingham Airport Authority Airport Revenue, AGMC Insured, 5.50%, 7/01/40	\$20,000,000	\$ 20,899,400
Birmingham Waterworks Board Water Revenue, Series A, Assured Guaranty, 5.25%,		
1/01/39	5,000,000	5,116,000
Chatom IDB Gulf Opportunity Zone Revenue, PowerSouth Energy Cooperative, Refunding, Series A, Assured Guaranty, 5.00%,		
8/01/30	5,250,000	5,512,133
8/01/37	5,000,000	5,093,250
Houston County Health Care Authority Revenue, Series A, AMBAC Insured, 5.125%,		
10/01/24	5,855,000	5,905,822
10/01/25	6,065,000	6,101,693
Leeds Public Educational Building Authority Educational Facilities Revenue, Assured Guaranty,		
5.125%, 4/01/38 Limestone County Water and Sewer Authority Water Revenue, AMBAC Insured, 5.00%,	10,865,000	10,981,364
12/01/35 Orange Beach Water Sewer and Fire Protection Authority Revenue, NATL Insured,	9,100,000	9,169,251
Pre-Refunded, 5.00%, 5/15/35	3,665,000	3,952,629
Refunding, XLCA Insured, 5.00%, 2/01/24	1,020,000	1,072,071
XLCA Insured, 5.00%, 2/01/34	5,195,000	5,174,999
Phenix City Water and Sewer Revenue, wts., Series A, AGMC Insured, 5.00%, 8/15/40 Tuscaloosa Public Educational Building Authority Student Housing Revenue, Ridgecrest Student Housing LLC, University of Alabama Ridgecrest Residential Project,	8,090,000	8,319,028
Assured Guaranty, 6.75%, 7/01/38	5,000,000	5,399,250
5.00%, 9/01/41	5,000,000	4,615,500
	-,,	97,312,390
Alaska 0.4%		
Alaska Energy Authority Power Revenue, Bradley Lake Project, Refunding, NATL Insured,		
6.25%, 7/01/21	5,000	5,016
Assured Guaranty, 6.00%, 9/01/32	10,000,000	 10,817,900
		10,822,916
Arizona 2.4%		
Arizona State COP, Department of Administration,		
Series A, AGMC Insured, 5.25%, 10/01/26	8,500,000	9,006,430
Series A, AGMC Insured, 5.25%, 10/01/28	10,000,000	10,453,700
Series A, AGMC Insured, 5.00%, 10/01/29	5,000,000	5,102,100
Series B, AGMC Insured, 5.00%, 10/01/27	8,000,000	8,284,960
5.00%, 7/01/36	6,450,000	6,137,691
NATL Insured, ETM, 7.00%, 12/01/16	300,000	334,017
Pima County Sewer System Revenue, Obligations, Assured Guaranty, 5.00%, 7/01/25	7,000,000	7,592,200
Tucson Water System Revenue, Series B, AGMC Insured, 5.00%, 7/01/32	12,000,000	12,343,560
		59,254,658

Municipal Bonds (continued) Arkansas 0.3% Seption Regional Public Water Authority Water Revenue, Refunding and Improvement,	Franklin Insured Tax-Free Income Fund	Principal Amount	Value
Benton Regional Public Water Authority Water Revenue, Refunding and Improvement, XLCA Insured, 5.00%, 10/01/35 5,254,633 3,23,040 3,323,040 6,207,000 3,323,040 6,207,000 3,233,040 6,207,000 3,233,000 6,207,000	Municipal Bonds (continued)		
SLCA Insured, 5.00%, 10/01/35 \$5,230,000 \$5,254,633 Board of Trustees of the University of Arkansas Revenue, Various Facility, Fayetteville 3,205,000 3,323,040 8,577,673 SLCA III S	Arkansas 0.3%		
Campus, AMBAC Insured, 5.00%, 11/01/36 3,205,000 3,323,040	Benton Regional Public Water Authority Water Revenue, Refunding and Improvement,		
Campus, AMBAC Insured, 5.00%, 11/01/36 8,577,673 8,577,673 California 8.8% California 8.8% California 8.8te G0, Refunding, AMBAC Insured, 5.00%, 2/01/33 2,475,000 2,478,119 Refunding, AMBAC Insured, 5.00%, 10/01/32 20,000 20,026 Various Purpose, AGMC Insured, 6.00%, 4/01/38 30,000,000 33,032,400 Various Purpose, AGMC Insured, 6.00%, 4/01/38 30,000,000 33,032,400 Various Purpose, Refunding, NATL Insured, 4.75%, 3/01/35 20,855,000 20,442,071 California State Public Works Board Lease Revenue, Various Capital Projects, Series A, AGMC Insured, 5.00%, 4/01/28 13,030,000 13,367,477 Series A, AGMC Insured, 5.00%, 4/01/29 21,000,000 21,291,480 Series G-1, Assured Guaranty, 5.25%, 10/01/24 5,000,000 5,520,850 California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%, 4/01/29 10,000,000 10,224,200 Colton Joint USD, G0, San Bernardino and Riverside Counties, Election of 2008, Series A, ASW Clastra County G0, Election of 2008, Series B, Assured Guaranty, 5.375%, 8/01/34 10,000,000 10,375,400 East Side UHSD Santa Clara County G0, Election of 2008, Series B, Assured Guaranty, 5.52%, 8/01/35 23,800,000 24,039,190 5,528, 8/01/35 23,800,000 24,039,190 25,285, 8/01/35 23,800,000 24,039,190 25,285, 8/01/35 23,800,000 24,039,190 25,285, 8/01/35 23,800,000 24,039,190 25,285, 8/01/35 23,2800,000 24,039,190 25,285, 8/01/35 23,2800,000 24,039,190 25,285, 8/01/35 23,2800,000 24,039,190 25,285, 8/01/35 23,2800,000 24,039,190 25,285, 8/01/35 23,2800,000 24,039,190 25,285, 8/01/35 23,2800,000 24,039,190 25,285, 8/01/35 23,2800,000 24,039,190 25,285,800 23,285,000 23,2	XLCA Insured, 5.00%, 10/01/35	\$ 5,230,000	\$ 5,254,633
California State GO, Refunding, AMBAC Insured, 5.00%, 2/01/33 2,475,000 2,478,119 Refunding, AMBAC Insured, 5.00%, 1/0/01/32 20,000 20,026 20,000 2	Board of Trustees of the University of Arkansas Revenue, Various Facility, Fayetteville		
California State GO, Refunding, AMBAC Insured, 5.00%, 2/01/33	Campus, AMBAC Insured, 5.00%, 11/01/36	3,205,000	3,323,040
California State GO, Refunding, AMBAC Insured, 5.00%, 2/01/33			8,577,673
California State GO, Refunding, AMBA C Insured, 5.00%, 10/01/32 20,000 20,026 Various Purpose, AGMC Insured, 6.00%, 4/01/28 30,000,000 33,032,400 Various Purpose, Refunding, NATL Insured, 4.75%, 3/01/35 20,855,000 20,442,071 California State Public Works Board Lease Revenue, Various Capital Projects, Series A, AGMC Insured, 5.00%, 4/01/28 13,030,000 13,367,477 Series A, AGMC Insured, 5.00%, 4/01/29 21,000,000 21,291,480 Series G-1, Assured Guaranty, 5.25%, 10/01/24 5,000,000 5,520,850 California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%, 6/01/29 10,000,000 10,224,200 Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, AGMC Insured, 5.078, 8/01/34 10,000,000 10,375,400 East Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 5.25%, 8/01/35 23,800,000 24,039,190 Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series B, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series B, ASsured Guaranty, 5.25%, 8/01/34 5,000,000 51,68,800 Cakland RDA Tax Allocation, Central District Redevelopment Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 13,315,000 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 11/5/30 1,160,000 1,546,776 Series B, FÖIC Insured, 5.00%, 1/01/35 820,000 820,000 1,546,776 Series B, FÖIC Insured, 5.00%, 1/01/35 1,000 1,901,902 1,901,902 1,901/25 1,000,000 1,935,800 1,901,902 1,901/25 1,000,000 1,935,800 1,931,800 1,931,800	California 8 8%		
Refunding, AMBAC Insured, 5.00%, 2/01/33 2,475,000 2,478,119 Refunding, NATL Insured, 5.00%, 10/01/32 20,000 20,026 Various Purpose, AGMC Insured, 6.00%, 4/01/38 30,000,000 3,032,400 Various Purpose, Refunding, NATL Insured, 4.75%, 3/01/35 20,855,000 20,442,071 California State Public Works Board Lease Revenue, Various Capital Projects, 13,030,000 13,367,477 Series A, AGMC Insured, 5.00%, 4/01/29 21,000,000 21,291,480 Series G, 1, Assured Guaranty, 5.25%, 1/001/24 5,000,000 5,520,850 California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%, 11/01/39 10,000,000 10,224,200 Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, Assured Guaranty, 5.375%, 8/01/34 10,000,000 10,375,400 East Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 5.25%, 8/01/35 23,800,000 24,039,190 Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 5,000,000 5,168,800 Assured Guaranty, 5.50%, 2/01/14 45,000 45,826 <			
Refunding, NATL Insured, 5.00%, 10/01/32 20,000 20,026 Various Purpose, AGMC Insured, 6.00%, 4/01/38 30,000,000 33,032,400 20,442,071 20,000 20,000,000 20,000,000 20,000,000	,	2 475 000	2 478 119
Various Purpose, AGMC Insured, 6.00%, 4/01/38 30,000,000 33,032,400 Various Purpose, Refunding, NATL Insured, 4.75%, 3/01/35 20,855,000 20,442,071 California State Public Works Board Lease Revenue, Various Capital Projects, 13,030,000 13,367,477 Series A, AGMC Insured, 5.00%, 4/01/29 21,000,000 21,291,480 Series G-1, ASSUREd Guaranty, 5.25%, 1/001/24 5,000,000 5,520,850 California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%, 11/01/39 10,000,000 10,224,200 Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, Assured Guaranty, 5.375%, 8/01/34 10,000,000 10,375,400 East Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 5.25%, 8/01/35 23,800,000 24,039,190 Los Angeles USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.26%, 8/01/34 5,000,000 5,168,800 Oakland RDA Tax Allocation, Central District Redevelopment Project, Refunding, AmbaC Insured, 5.50%, 2/01/14 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 13,315,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/25 1,000,000		, ,	
Various Purpose, Refunding, NATL Insured, 4,75%, 3/01/35 20,855,000 20,442,071			
California State Public Works Board Lease Revenue, Various Capital Projects, Series A, AGMC Insured, 5.00%, 4/01/28 13,030,000 21,291,480 Series G, 1, Assured Guaranty, 5.25%, 10/01/24 5,000,000 5,520,850 California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%, 11,000,000 10,000,000 10,224,200 Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, AGMC Insured, 5.00%, 200,000 10,375,400 Cast Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 5.275%, 8/01/34 10,000,000 24,039,190 Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 5,000,000 5,168,800 Cakland RDA Tax Allocation, Central District Redevelopment Project, Refunding, AMBAC Insured, 5.50%, 2/01/14 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 13,315,000 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 1/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,905,000 1,991,982 9/01/28 1,905,000 1,991,982 9/01/28 1,905,000 1,935,880 1,906,000 1,907,982 9/01/28 1,905,000 1,907,982 9/01/28 1,905,000 1,907,982 9/01/28 1,905,000 1,907,982 9/			
Series A, AGMC Insured, 5.00%, 4/01/28 13,030,000 13,367,477 Series A, AGMC Insured, 5.00%, 4/01/29 21,000,000 21,291,480 Series G-I, Assured Guaranty, 5.25%, 10/01/24 5,000,000 5,520,850 California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%, 11/01/39 10,000,000 10,224,200 Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, 10,000,000 10,375,400 East Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 23,800,000 24,039,190 Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 5,000,000 5,168,800 Oakland RDA Tax Allocation, Central District Redevelopment Project, Refunding, 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Efunding, Series A, 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construc		20,033,000	20,442,071
Series A, AGMC Insured, 5.00%, 4/01/29 21,000,000 5,520,850		13.030.000	13.367.477
Series G-1, Assured Guaranty, 5.25%, 10/01/24 5,000,000 5,520,850			, ,
California State University Revenue, Systemwide, Series A, AGMC Insured, 5.00%, 11/01/39 10,000,000 10,224,200 Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, Assured Guaranty, 5.375%, 8/01/34 10,000,000 10,375,400 East Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 5.25%, 8/01/35 23,800,000 24,039,190 25,800,800 24,039,190 25,800,800 24,039,190 25,800,800 24,039,190 25,800,800 24,039,190 25,800,800 25,800,800 24,039,190 25,800,800 25,800,800,800 26,800,800,800,800,800,800,800,800,800,80			, ,
11/01/39		-,,	-,,
Colton Joint USD, GO, San Bernardino and Riverside Counties, Election of 2008, Series A, Assured Guaranty, 5.375%, 8/01/34		10.000.000	10.224.200
Assured Guaranty, 5.375%, 8/01/34 East Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 5.25%, 8/01/35 Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 MakDC Insured, 5.50%, 2/01/14 A 5,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, FGIC Insured, 5.00%, 1/01/35 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,069,420 9/01/27 1,000,000 1,069,420 9/01/28 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128		.,,	, , ,
East Side UHSD Santa Clara County GO, Election of 2008, Series B, Assured Guaranty, 5.25%, 8/01/35 . 23,800,000 24,039,190 Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32 . 32,565,000 33,636,714 Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 5,000,000 5,168,800 Oakland RDA Tax Allocation, Central District Redevelopment Project, Refunding, AMBAC Insured, 5.50%, 2/01/14 . 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 . 13,315,000 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 . 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 . 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 . 1,680,000 10,180,400 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 . 1,000,000 1,069,420 9/01/26 . 1,720,000 1,815,529 9/01/27 . 1,905,000 1,815,529 9/01/27 . 1,905,000 1,815,529 9/01/28 . 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 . 1,350,000 1,371,128		10,000,000	10,375,400
Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32			
Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34 5,000,000 5,168,800 Oakland RDA Tax Allocation, Central District Redevelopment Project, Refunding, AMBAC Insured, 5.50%, 2/01/14 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 13,315,000 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37	5.25%, 8/01/35	23,800,000	24,039,190
Oakland RDA Tax Allocation, Central District Redevelopment Project, Refunding, AMBAC Insured, 5.50%, 2/01/14 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 13,315,000 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 20/072 1,000,000 1,035,880 215,534,502 215,534,502 Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128	Los Angeles USD, GO, Election of 2004, Series H, AGMC Insured, 5.00%, 7/01/32	32,565,000	33,636,714
AMBAC Insured, 5.50%, 2/01/14 4. 45,000 45,826 Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 13,601,139 13,315,000 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 4. 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 869,463 Vestlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,000,000 1,991,982 9/01/28 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128	Montebello USD, GO, Election of 2004, Series A-1, Assured Guaranty, 5.25%, 8/01/34	5,000,000	5,168,800
Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding, Assured Guaranty, 5.75%, 8/01/29 13,315,000 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128	Oakland RDA Tax Allocation, Central District Redevelopment Project, Refunding,		
Assured Guaranty, 5.75%, 8/01/29 13,601,139 San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, NATL Insured, 5.25%, 1/15/30 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128	AMBAC Insured, 5.50%, 2/01/14	45,000	45,826
San Joaquin Hills Transportation Corridor Agency Toll Road Revenue, Refunding, Series A, 4,000,000 3,781,360 San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, 1,680,000 1,546,776 Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 1,000,000 1,069,420 9/01/25 1,000,000 1,815,529 9/01/26 1,720,000 1,991,982 9/01/28 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 1,350,000 1,371,128	Richmond Joint Powers Financing Authority Lease Revenue, Civic Center Project, Refunding,		
NATL Insured, 5.25%, 1/15/30		13,315,000	13,601,139
San Jose RDA Tax Allocation, Merged Area, Refunding, Series D, Assured Guaranty, 5.00%, 8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128			
8/01/22 10,000,000 10,180,400 Val Verde USD, COP, School Construction Project, 1,680,000 1,546,776 Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 1,000,000 1,069,420 9/01/25 1,000,000 1,815,529 9/01/26 1,720,000 1,991,982 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128		4,000,000	3,781,360
Val Verde USD, COP, School Construction Project, Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 1,000,000 1,069,420 9/01/25 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128			
Refunding, Series B, NATL RE, FGIC Insured, 5.00%, 1/01/35 1,680,000 1,546,776 Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128		10,000,000	10,180,400
Series B, FGIC Insured, Pre-Refunded, 5.00%, 1/01/35 820,000 869,463 Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128		4 400 000	4.5.46.336
Westlands Water District Revenue, Refunding, Series A, AGMC Insured, 5.00%, 9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128			, ,
9/01/25 1,000,000 1,069,420 9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128		820,000	869,463
9/01/26 1,720,000 1,815,529 9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128	0.101.105	1 000 000	1 000 400
9/01/27 1,905,000 1,991,982 9/01/28 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128			, ,
9/01/28 1,000,000 1,035,880 215,534,502 Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37 1,350,000 1,371,128			, ,
Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37			
Colorado 2.6% Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37	3/01/20	1,000,000	
Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 3/01/37			215,534,502
FGIC Insured, 5.00%, 3/01/37	Colorado 2.6%		
5.00%, 3/01/37	Colorado State Board of Governors University Enterprise System Revenue, Series A, NATL RE,		
	FGIC Insured,		
Pre-Refunded, 5.00%, 3/01/37 8,650,000 9,823,891			, ,
	Pre-Refunded, 5.00%, 3/01/37	8,650,000	9,823,891

Franklin Insured Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Colorado (continued)			
Colorado State Health Facilities Authority Revenue,			
Catholic Health Initiatives, Series C-7, AGMC Insured, 5.00%, 9/01/36	\$20,000,000	\$	19,467,000
Health Facility Authority, Hospital, Refunding, Series B, AGMC Insured, 5.25%,			
3/01/36	10,000,000		10,011,500
Denver City and County Airport System Revenue, Series C, NATL Insured, ETM, 6.125%,	, ,		, ,
11/15/25	3,590,000		4,412,002
11/15/25	4,410,000		4,422,304
Denver Convention Center Hotel Authority Revenue, senior bond, Refunding, XLCA Insured,	., ,		.,, .
5.00%, 12/01/35	15,000,000		14,415,000
0.007, 12.027,00	10,000,000	_	
			63,922,825
Connecticut 0.2%			
Connecticut State Health and Educational Facilities Authority Revenue, Child Care Facilities			
Program, Series G, Assured Guaranty, 6.00%, 7/01/38	5,000,000		5,248,600
District of Columbia 0.8%			
District of Columbia Hospital Revenue, Children's Hospital Obligated Group, Sub Series 1,			
AGMC Insured, 5.45%, 7/15/35	19,075,000		19,130,508
Florida 7.3%		-	· · · · ·
Brevard County Local Option Fuel Tax Revenue, NATL RE, FGIC Insured, 5.00%,			
8/01/32	12,440,000		12,602,218
8/01/37	13,000,000		13,040,560
Broward County HFAR,	13,000,000		13,040,560
5.65%, 11/01/22	405,000		405,207
•	225,000		
5.70%, 11/01/29	,		225,038
Broward County School Board COP, Series A, AGMC Insured, 5.00%, 7/01/30	2,000,000		2,082,280
Cale by thin CDD Special Assessment Sovies B. NATI, January J. 5 500, 5 (01/10)	2,000,000		1,983,700
Celebration CDD Special Assessment, Series B, NATL Insured, 5.50%, 5/01/19	130,000		130,407
Coral Gables Health Facilities Authority Hospital Revenue, Baptist Health South Florida	1 000 000		1 044 070
Obligated Group, AGMC Insured, Pre-Refunded, 5.00%, 8/15/29	1,000,000		1,044,970
Dade County HFA, MFMR, Siesta Pointe Apartments, Series A, AGMC Insured, 5.75%,	1 000 000		1 000 070
9/01/29	1,890,000		1,890,378
^a Deltona Utility System Revenue, Refunding, AGMC Insured, 5.125%, 10/01/39	5,000,000		4,932,550
Destin Capital Improvement Revenue, NATL Insured, 5.00%, 8/01/27	1,315,000		1,315,000
Florida Gulf Coast University FICO Capital Improvement Revenue, Housing Project, Series A,	10 000 000		0.006.400
NATL Insured, 5.00%, 2/01/37	10,000,000		9,086,400
Florida HFAR, Spinnaker Cove Apartments, Series G, AMBAC Insured, 6.50%, 7/01/36	1,600,000		1,600,304
Florida HFC Revenue, Marina Bay Apartments, Series S, AGMC Insured, 5.85%, 2/01/41	1,070,000		1,070,160
Florida State Correctional Privatization Commission COP, Series B, AMBAC Insured, 5.00%,			
8/01/25	2,000,000		2,052,820
Florida State Governmental Utility Authority Utility Revenue, Lehigh Utility System,			
Refunding, AGMC Insured, 5.00%, 10/01/33	7,115,000		7,218,381
Hernando County School Board COP, NATL Insured, 5.00%, 7/01/30	1,150,000		1,162,224
Hillsborough County School Board COP, Master Lease Program, Refunding, Series A,			
NATL Insured, 5.00%, 7/01/26	1,670,000		1,751,179
Indian Trail Water Control District Improvement Revenue, NATL Insured, 5.75%, 8/01/16	520,000		521,882
Jacksonville Sales Tax Revenue, Better Jacksonville, NATL Insured, Pre-Refunded, 5.00%,			
10/01/30	1,500,000		1,505,205

Franklin Insured Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Florida (continued)			
Lake County School Board COP, Series A, AMBAC Insured, 5.00%, 6/01/30	\$ 2,080,000	\$	2,116,587
Lee County Airport Revenue, Refunding, AGMC Insured, 5.00%, 10/01/33	3,530,000	Ψ	3,566,500
Lee Memorial Health System Hospital Revenue, Series A, AMBAC Insured, 5.00%,	0,000,000		0,000,000
4/01/32	1,460,000		1,468,483
4/01/37	11,000,000		10,275,650
Leon County COP, AMBAC Insured, 5.00%, 7/01/25	8,935,000		9,323,583
Maitland CDA Revenue, AMBAC Insured, 5.00%, 7/01/34	2,595,000		2,695,167
Martin County Health Facilities Authority Hospital Revenue, Martin Memorial Medical Center,	2,333,000		2,033,107
AGMC Insured, 5.50%, 11/15/42	3,800,000		3,772,336
Miami Beach Water and Sewer Revenue, AMBAC Insured, 5.00%, 9/01/30	3,000,000		3,001,560
Miami-Dade County Aviation Revenue, Miami International Airport, Hub of the Americas,	3,000,000		3,001,300
Refunding, Series A, CIFG Insured, 5.00%, 10/01/38	1,625,000		1,525,599
Series B, NATL RE, FGIC Insured, 5.00%, 10/01/30	3,500,000		3,526,390
Miami-Dade County GO, Building Better Communities Program, NATL RE, FGIC Insured,	3,300,000		3,320,390
5.00%, 7/01/33	2,000,000		2,067,820
Miami-Dade County Public Facilities Revenue, Jackson Health System, Series A,	2,000,000		2,007,820
NATL Insured, 5.00%, 6/01/31	1,650,000		1,640,281
Miami-Dade County School Board COP, Series A, NATL RE, FGIC Insured, 5.00%,	1,030,000		1,040,281
5/01/25	5,000,000		5,292,000
Miami-Dade County Transit System Sales Surtax Revenue, AGMC Insured, 5.00%,	5,000,000		5,292,000
	16 000 000		15 477 120
	16,000,000		15,477,120
Orange County Health Facilities Authority Hospital Revenue, Orlando Regional Healthcare	7 000 000		7 114 660
System, Refunding, Series B, AGMC Insured, 5.00%, 12/01/32	7,000,000		7,114,660
	7 710 000		0.046.603
5.00%, 7/01/25 Pasco County Guaranteed Entitlement Revenue,	7,710,000		8,246,693
	950 000		050 010
AGMC Insured, Pre-Refunded, 5.00%, 12/01/33	850,000		859,818
Refunding, AGMC Insured, 5.00%, 12/01/33	1,335,000		1,337,737
Pembroke Pines Public Improvement Revenue,	2 000 000		0.010.040
Series A, AMBAC Insured, 5.00%, 10/01/29	2,000,000		2,018,640
Series B, AMBAC Insured, 5.00%, 10/01/34	2,000,000		2,015,500
Pinellas County Sewer Revenue, AGMC Insured,	C10 000		C11 1E2
5.00%, 10/01/32	610,000		611,153
Pre-Refunded, 5.00%, 10/01/32	2,390,000		2,398,389
Polk County Public Facilities Revenue, NATL Insured, 5.00%, 12/01/33	2,000,000		2,096,980
Polk County Utility System Revenue, Series A, NATL RE, FGIC Insured, 5.00%, 10/01/30	1,000,000		1,023,380
Port Orange GO, NATL Insured, 5.00%, 4/01/33	1,755,000		1,843,013
Port St. Lucie Utility System Revenue, NATL Insured, 5.00%, 9/01/34	8,420,000		8,525,250
Sumter County School District Revenue, Multi-District Loan Program, AGMC Insured, ETM,	0.45,000		070.074
7.15%, 11/01/15	245,000		278,974
Sunrise Utilities System Revenue,	060.000		005 100
AMBAC Insured, Pre-Refunded, 5.20%, 10/01/22	860,000		985,182
Refunding, AMBAC Insured, 5.20%, 10/01/22	1,140,000		1,233,184
Tampa-Hillsborough County Expressway Authority Revenue, Refunding, Series A,			
AGMC Insured, 5.00%,	0.750.000		0.040.00=
7/01/27	2,750,000		2,849,027
7/01/28	2,500,000		2,569,850

Franklin Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Florida (continued)		
University of Central Florida Athletics Assn. Inc. COP, Series A, NATL RE, FGIC Insured,		
5.00%,		
10/01/27	\$ 1,000,000	\$ 970,470
10/01/30	1,485,000	1,401,825
		179,749,664
Georgia 4.8%		
Albany Dougherty Payroll Development Authority Revenue, Darton College Project,		
Assured Guaranty, 5.75%, 6/15/41	5,550,000	5,913,969
Atlanta Airport General Revenue, Series A, AGMC Insured, 5.00%, 1/01/40	9,215,000	9,094,836
Atlanta Water and Wastewater Revenue,		
AGMC Insured, 5.00%, 11/01/37	15,000,000	14,669,700
Refunding, Series B, AGMC Insured, 5.375%, 11/01/39	23,000,000	23,328,900
Series A, NATL RE, FGIC Insured, 5.00%, 11/01/29	4,750,000	4,755,130
Brunswick Water and Sewer Revenue, Improvement, NATL Insured, ETM, 6.10%,		
10/01/14	1,055,000	1,086,334
Bulloch County Development Authority Student Housing Revenue, Georgia Southern University		
Housing Foundation Four, Assured Guaranty, 5.25%, 7/01/33	14,825,000	15,294,656
Cherokee County Water and Sewerage Authority Revenue, NATL Insured, 6.90%, 8/01/18	15,000	15,035
Dahlonega Water and Wastewater Revenue, Series A, Assured Guaranty, 5.50%, 9/01/37	6,450,000	6,587,966
East Point Building Authority Revenue, Water and Sewer Project, Series A, XLCA Insured,	11 000 000	10.760.464
5.00%, 2/01/30	11,360,000	10,762,464
Georgia State Higher Education Facilities Authority Revenue, USG Real Estate Foundation III	0.050.000	0.042.177
LLC Project, Series A, Assured Guaranty, 5.00%, 6/15/38	9,250,000	8,943,177
Healthcare System Inc. Project, Refunding, AGMC Insured, 5.00%, 8/01/41	7,500,000	6,937,650
Savannah EDA Revenue, SSU Community Development I LLC Project, Series I,	7,300,000	0,557,050
Assured Guaranty, 5.75%, 6/15/41	10,000,000	10,402,500
7.000100 000107, 07.07.12	10,000,000	117,792,317
W 0.10/		117,792,317
Illinois 8.1% Chicago Board of Education GO,		
Dedicated, Series A, AGMC Insured, 5.00%, 12/01/42	20,000,000	17,493,000
Refunding, Series C, Assured Guaranty, 5.25%, 12/01/26	12,575,000	12,682,768
Chicago GO, Refunding, Series A, AGMC Insured, 5.00%,	12,070,000	12,002,700
1/01/28	29,885,000	29,137,277
1/01/29	13,345,000	12,644,254
1/01/30	6,200,000	5,812,314
Chicago O'Hare International Airport Revenue,		
General, third lien, Series C, AGMC Insured, 5.25%, 1/01/35	26,635,000	26,746,601
Refunding, Series A, AGMC Insured, 5.00%, 1/01/28	24,915,000	25,913,593
Illinois State Finance Authority Revenue,		
Edward Hospital, Series A, AMBAC Insured, 5.50%, 2/01/40	4,000,000	4,089,120
Southern Illinois HealthCare, AGMC Insured, 5.375%, 3/01/35	8,500,000	8,430,385
Illinois State GO,		
AGMC Insured, 5.00%, 3/01/26	4,000,000	4,044,080
AGMC Insured, 5.00%, 3/01/27	11,500,000	11,531,510
Refunding, AGMC Insured, 5.00%, 1/01/23	10,000,000	10,327,400

Franklin Insured Tax-Free Income Fund	Principal Amount	Value	
Municipal Bonds (continued)			
Illinois (continued)			
Metropolitan Pier and Exposition Authority Revenue, McCormick Place Project, Refunding,	¢15 000 000	4 15 400 0	250
Series B, 5.00%, 12/15/28	\$15,000,000	\$ 15,428,2	
Saline Valley Conservancy District Waterworks Revenue, Saline Valley Conservancy District,	280,000	317,5	900
Refunding, Series A, AMBAC Insured, 5.00%, 1/01/41	7,000,000	6,816,3	390
St. Clair County School District No. 189 East St. Louis GO, Alternate Revenue Source,	.,,	2,223,3	
Refunding, AMBAC Insured, 5.125%, 1/01/28	7,135,000	7,141,3	350
		198,555,8	348
Indiana 0.5%			
Indiana Health and Educational Facility Financing Authority Revenue, Sisters of St. Francis			
Health Services Inc. Obligated Group, Refunding, Series E, AGMC Insured, 5.25%,			
5/15/41	3,750,000	3,674,6	525
Indianapolis Local Public Improvement Bond Bank Revenue, Waterworks Project, Series A,			
Assured Guaranty, 5.50%, 1/01/38	8,650,000	8,938,9	997
		12,613,6	522
Kentucky 0.8%			
Kentucky Economic Development Finance Authority Health System Revenue,			
Norton Healthcare Inc., Refunding, Series C, NATL Insured, 6.05%, 10/01/20	8,505,000	8,605,1	189
Kentucky State Municipal Power Agency Power System Revenue, Prairie State Project,			
Series A, NATL Insured, 5.00%, 9/01/37	10,000,000	10,243,0)00
		18,848,1	189
Louisiana 2.5%			
Lafayette Public Trust Financing Authority Revenue, Ragin' Cajun Facilities, Housing and			
Package Project, Assured Guaranty,			
5.00%, 10/01/25	5,500,000	5,648,0)60
5.50%, 10/01/41	15,000,000	15,051,6	500
Louisiana Local Government Environmental Facilities and CDA Revenue,			
LCTCS Facilities Corp. Project, Series B, Assured Guaranty, 5.00%, 10/01/26	2,750,000	2,809,0	
Southeastern Louisiana University, Series A, AGMC Insured, 5.00%, 10/01/40 Louisiana State Citizens Property Insurance Corp. Assessment Revenue,	8,545,000	8,585,0)/6
Refunding, AGMC Insured, 5.00%, 6/01/24	5,250,000	5,522,8	343
Series C-2, Assured Guaranty, 6.75%, 6/01/26	21,000,000	23,565,1	
		61,181,7	
Maina 0.00/			
Maine 0.9% Maine Educational Loan Authority Student Loan Revenue, Series A-3, Assured Guaranty,			
5.875%, 12/01/39	13,895,000	14,243,2	209
Maine State Health and Higher Educational Facilities Authority Revenue, Series C,	10,030,000	14,240,2	-03
AGMC Insured, 6.20%, 7/01/25	100,000	100,3	336
Portland Airport Revenue, General, AGMC Insured,	•	· ·	
5.25%, 1/01/35	3,000,000	3,014,1	190
5.00%, 1/01/40	6,000,000	5,845,3	320_
		23,203,0)55

Franklin Insured Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Maryland 1.2%			
Baltimore Convention Center Hotel Revenue, Senior Series A, XLCA Insured, 5.00%,	410.000.000		0.700.000
9/01/32	\$10,000,000	\$	8,722,000
Baltimore Project Revenue, Water Projects, Refunding, Series A, NATL RE, FGIC Insured,	11 000 000		11 017 600
5.125%, 7/01/42	11,000,000		11,017,600
LifeBridge Health Issue, Refunding, Assured Guaranty, 5.00%, 7/01/34	9,000,000		8,738,640
University of Maryland Medical System, Series B, NATL RE, FGIC Insured, 7.00%,	3,000,000		0,700,040
7/01/22	190,000		222,659
	,		28,700,899
			26,700,699
Massachusetts 2.2%			
Massachusetts State Development Finance Agency Revenue, Worcester Polytechnic Institute	05 050 000		
Issue, NATL Insured, 5.00%, 9/01/47	25,050,000		25,009,168
Massachusetts State Health and Educational Facilities Authority Revenue,	750,000		007.700
CareGroup Issue, Series A, NATL Insured, Pre-Refunded, 5.00%, 7/01/25	750,000		837,788
Emmanuel College Issue, NATL Insured, 5.00%, 7/01/37	21,685,000		21,269,082
Simmons College, Series C, NATL Insured, 5.125%, 10/01/28	3,000,000 4,260,000		3,004,080 4,260,170
Similions conege, series 6, NATE msured, 3.123%, 10/01/26	4,200,000		
		_	54,380,288
Michigan 6.8%			
Birmingham City School District GO, School Building and Site, AGMC Insured, Pre-Refunded,			
5.00%, 11/01/33	8,135,000		8,587,387
Detroit GO, Series A-1, NATL Insured, 5.00%, 4/01/21	12,390,000		10,662,958
Detroit Sewage Disposal System Revenue,			
second lien, Series B, NATL Insured, 5.00%, 7/01/36	15,000,000		13,030,050
senior lien, Refunding, Series A, AGMC Insured, 5.00%, 7/01/32	2,905,000		2,656,216
senior lien, Series B, AGMC Insured, 7.50%, 7/01/33	6,000,000		6,408,780
Detroit Water and Sewerage Department Sewage Disposal System Revenue, senior lien,	10 000 000		9 5 4 2 4 0 0
Refunding, Series A, AGMC Insured, 5.00%, 7/01/39	10,000,000		8,543,400
second lien, Series B, AGMC Insured, 7.00%, 7/01/36	5,000,000		5,128,650
senior lien, Series A, AGMC Insured, 5.00%, 7/01/34	7,040,000		6,254,618
senior lien, Series A, NATL Insured, 5.00%, 7/01/34	10,150,000		8,962,450
ackson County Hospital Finance Authority Revenue, W.A. Foote Memorial Hospital,	10,130,000		0,502,450
Refunding, Series C, Assured Guaranty, 5.00%, 6/01/26	15,000,000		15,247,650
Michigan State Building Authority Revenue, Refunding, Series IA,	10,000,000		10,2 17,000
AGMC Insured, 5.00%, 10/15/36	28,895,000		29,434,759
NATL RE, FGIC Insured, 5.00%, 10/15/36	10,000,000		10,186,800
Michigan State Hospital Finance Authority Revenue,	.,,		.,,
Hospital, Sparrow Obligated Group, Refunding, NATL Insured, 5.00%, 11/15/36	13,000,000		12,332,320
Trinity Health Credit Group, Series A, 6.50%, 12/01/33	25,000,000		27,738,750
Michigan State Strategic Fund Limited Obligation Revenue, Detroit Edison Co. Pollution			
Control Bonds Project, Refunding, Collateralized Series BB, AMBAC Insured, 7.00%,			
5/01/21	250,000		303,062
			165,477,850

Franklin Insured Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Minnesota 0.6%			
Minneapolis-St. Paul Metropolitan Airports Commission Airport Revenue, sub. bond,	#15 000 000	Φ.	15 244 050
Refunding, Series A, AMBAC Insured, 5.00%, 1/01/35	\$15,000,000	\$	15,344,250
Fairview Hospital and Healthcare Services, Refunding, Series A, NATL Insured, 5.75%,			
11/15/26	180,000		180,376
			15,524,626
Mississippi 0.4%		-	
Mississippi Development Bank Special Obligation Revenue, Municipal Energy Agency,			
Series A, XLCA Insured, 5.00%, 3/01/36	10,915,000		10,487,678
Missouri 0.9%			
Bi-State Development Agency Missouri-Illinois Metropolitan District Mass Transit Sales Tax			
Revenue, Metrolink Cross County Extension Project, Assured Guaranty, 5.00%, 10/01/39	6,000,000		6,074,940
Missouri State Health and Educational Facilities Authority Health Facilities Revenue,	45.000.000		
St. Luke's Health System, Series B, AGMC Insured, 5.50%, 11/15/35	15,000,000		15,483,450
			21,558,390
Nebraska 0.1%			
Lancaster County Hospital Authority Revenue, Bryan Memorial Hospital Project No. 1,			
NATL Insured, ETM, 6.70%, 6/01/22	2,325,000		2,856,216
Nevada 1.2%	050.000		
Clark County GO, Series A, AMBAC Insured, 6.50%, 6/01/17	250,000		294,180
Series A,			
AGMC Insured, 5.25%, 7/01/42	5,000,000		5,037,050
Assured Guaranty, 5.25%, 7/01/39	20,000,000		20,191,200
Reno Hospital Revenue, Washoe Medical Center Project, Refunding, Series C, AGMC Insured,			
5.375%, 6/01/39	5,000,000		4,781,550
			30,303,980
New Hampshire 0.2%			
Manchester General Airport Revenue, General, Refunding, Series A, AGMC Insured, 5.125%,			
1/01/30	6,000,000		6,090,240
New Jersey 2.0%			
Essex County Improvement Authority Revenue, Garden State Cancer Center Project,	1 770 000		1 775 404
AMBAC Insured, 6.00%, 12/01/20	1,770,000		1,775,434
Motor Vehicle Surcharges, Series A, NATL Insured, 5.00%, 7/01/29	3,450,000		3,478,566
Motor Vehicle Surcharges, Series A, NATL Insured, 5.00%, 7/01/34	21,250,000		21,362,412
Municipal Rehabilitation, Series A, AMBAC Insured, 5.00%, 4/01/28	4,000,000		4,004,360
New Jersey State Transportation Trust Fund Authority Revenue, Transportation System,			
Series A,	0.600.000		10.600.250
6.00%, 12/15/38	9,620,000 5,380,000		10,608,359 6,555,046
1 16-Nerunucu, 0.00 /0, 12/13/30	3,360,000		0,333,040

Franklin Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New Jersey (continued)		
New Jersey State Turnpike Authority Turnpike Revenue, Series C,		
AMBAC Insured, 6.50%, 1/01/16	\$ 35,000	\$ 39,520
AMBAC Insured, ETM, 6.50%, 1/01/16	20,000	22,712
AMBAC Insured, Pre-Refunded, 6.50%, 1/01/16	130,000	137,513
ETM, 6.50%, 1/01/16	15,000	17,015
		48,000,937
New York 8.2%		
Hudson Yards Infrastructure Corp. Revenue, Series A, AGMC Insured, 5.00%, 2/15/47	16,475,000	15,980,091
MTA Revenue,		
Refunding, Series D, AGMC Insured, 5.00%, 11/15/27	25,000,000	26,084,250
Refunding, Series D, AGMC Insured, 5.00%, 11/15/29	15,000,000	15,376,800
Transportation, Series A, AGMC Insured, 5.00%, 11/15/33	20,000,000	20,043,600
New York City Municipal Water Finance Authority Water and Sewer System Revenue, Second	, ,	, ,
General Resolution, Refunding,		
Series AA, 5.00%, 6/15/44	21,550,000	21,548,276
Series GG, 5.00%, 6/15/43	25,000,000	24,998,000
New York City Transitional Finance Authority Building Aid Revenue, Fiscal 2012, Series S-1,	.,,	, ,
Sub Series S-1A, 5.25%, 7/15/37	25,000,000	25,711,500
New York State Dormitory Authority State Personal Income Tax Revenue, General Purpose,	,,	
Refunding, Series D, 5.00%,		
2/15/37	7,000,000	7,091,210
2/15/40	20,000,000	20,177,600
2/15/42	12,900,000	12,996,879
New York State Thruway Authority Personal Income Tax Revenue, Transportation, Refunding,	12,300,000	12,330,073
Series A, 5.00%, 3/15/32	7,720,000	7,961,790
Triborough Bridge and Tunnel Authority Revenues, Refunding, Series E, NATL Insured,		
5.00%, 11/15/32	2,030,000	2,033,654
		200,003,650
North Carolina 0.3%		
Raleigh Combined Enterprise System Revenue, 5.00%, 3/01/40	7,915,000	8,164,243
North Dakota 1.3%		
Cass County Health Care Facilities Revenue, Essentia Health Obligated Group, Series D,		
Assured Guaranty, 5.00%, 2/15/40	31,970,000	30,744,910
Ohio 3.5%		
Akron Income Tax Revenue, Community Learning Centers, Series A, NATL RE, FGIC Insured,		
Pre-Refunded, 5.00%, 12/01/33	5,000,000	5,057,150
Cleveland Airport System Revenue, Refunding, Series A, AGMC Insured, 5.00%,	3,000,000	3,037,130
1/01/27	4,190,000	4,255,280
1/01/28	9,500,000	9,570,110
Hamilton County Healthcare Revenue, Christ Hospital Project, AGMC Insured, 5.00%,	3,300,000	3,370,110
6/01/42	22,500,000	21,380,625
Jefferson Area Local School District GO, School Facilities Construction and Improvement,	22,300,000	21,300,023
NATL RE, FGIC Insured, Pre-Refunded, 5.00%, 12/01/31	4,085,000	4,405,795
NATE NE, I GIO HISUIEU, FIE-NEIUHUEU, 3.00 /0, 12/01/31	4,000,000	4,400,795

Franklin Insured Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Ohio (continued)			
Ohio State Higher Educational Facility Commission Revenue, Summa Health System,	¢15,000,000	ф	14 220 000
2010 Project, Refunding, Assured Guaranty, 5.25%, 11/15/40	\$15,000,000	\$	14,229,900
AGMC Insured, 5.00%, 1/15/41	7,000,000		6,592,180
Olentangy Local School District GO, School Facilities Construction and Improvement, Series A,			
FGIC Insured, Pre-Refunded, 5.25%, 12/01/32	11,450,000		11,878,459
Reynoldsburg City School District GO, School Facilities Construction and Improvement, AGMC Insured, 5.00%, 12/01/31	4,000,000		4,100,840
Toledo City School District GO, School Facilities Improvement, Series B, NATL RE,	4,000,000		4,100,640
FGIC Insured, Pre-Refunded, 5.00%, 12/01/32	4,000,000		4,045,720
			85,516,059
Oklahoma 0.0%†			
McGee Creek Authority Water Revenue, NATL Insured, 6.00%, 1/01/23	300,000		330,018
Oregon 0.2%	•		, -
Medford Hospital Facilities Authority Revenue, Asante Health System, Series A,			
Assured Guaranty, 5.00%, 8/15/40	4,935,000		4,676,357
Pennsylvania 5.5%			
Allegheny County GO, Series C-70, AGMC Insured, 5.00%, 12/01/37	10,000,000		9,847,300
Allegheny County Sanitary Authority Sewer Revenue, AGMC Insured, 5.00%,			
6/01/25	3,540,000		3,776,437
6/01/26	5,930,000		6,261,012
12/01/33	5,500,000		5,618,800
12/01/37	10,520,000		10,618,257
12/01/41	5,110,000		5,133,608
Centre County Hospital Authority Hospital Revenue, Mount Nittany Medical Center Project,			
Assured Guaranty, Pre-Refunded, 5.875%, 11/15/29	1,000,000		1,067,290
6.125%, 11/15/39	3,000,000		3,210,810
6.25%, 11/15/44	2,500,000		2,679,400
Delaware River Port Authority Revenue, Series D, AGMC Insured, 5.00%, 1/01/40	15,000,000		15,144,600
Lackawanna County GO, Series B, AGMC Insured, 5.00%, 9/01/35	7,500,000		6,687,225
Pennsylvania Convention Center Authority Revenue, Series A, FGIC Insured, ETM, 6.00%,	E00.000		CO2 280
9/01/19	500,000		602,380
Philadelphia Project, Refunding, Series B, AGMC Insured, 4.75%, 6/01/30	6,000,000		5,830,800
Pennsylvania State Turnpike Commission Turnpike Revenue,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		.,,.
AGMC Insured, 6.00%, 12/01/41	10,000,000		10,529,700
Refunding, Series C, Sub Series C-1, Assured Guaranty, 6.25%, 6/01/38	10,000,000		10,858,400
Series A, Assured Guaranty, 5.00%, 6/01/39	10,000,000		9,717,200
Philadelphia Gas Works Revenue, 1998 General Ordinance, Fourth Series, AGMC Insured, 5.00%, 8/01/32	4,000,000		4,000,760
Philadelphia Water and Wastewater Revenue, Series C, AGMC Insured, 5.00%, 8/01/40	7,000,000		6,928,180
Pittsburgh Water and Sewer Authority Revenue, FGIC Insured, ETM, 7.25%, 9/01/14	35,000		36,125
South Fork Municipal Authority Hospital Revenue, Conemaugh Valley Memorial Hospital,			
Refunding, Series B, Assured Guaranty, 5.375%, 7/01/35	15,000,000		14,970,150
			133,518,434

Franklin Insured Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
Rhode Island 1.5%			
Rhode Island State Clean Water Finance Agency Revenue, Cranston Wastewater Treatment System, NATL Insured, 5.80%, 9/01/22	\$ 7,785,000	\$	7,787,336
Rhode Island State EDC Special Facility Revenue, first lien, Rhode Island Airport Corp.			
Project, CIFG Insured, 5.00%, 7/01/31	5,720,000		5,620,300
9/15/30	7,535,000		7,705,065
9/15/35	4,500,000		4,523,760
9/15/40	10,270,000		10,209,510
Lifespan Obligated Group Issue, Refunding, NATL Insured, 5.75%, 5/15/23	100,000		100,060
			35,946,031
South Carolina 2.0%		_	
Piedmont Municipal Power Agency Electric Revenue, Refunding, NATL RE, FGIC Insured,			
6.25%, 1/01/21	200,000		240,830
Series A, AGMC Insured, ETM, 7.125%, 7/01/17	1,025,000		1,136,899
Purchase, School District of Pickens County Project, AGMC Insured, 5.00%, 12/01/31 South Carolina Jobs EDA Hospital Revenue, Palmetto Health, Refunding, Series A,	17,800,000		18,383,840
AGMC Insured, 5.00%, 8/01/35	20,000,000		18,831,800
Spartanburg Water System Revenue, Assured Guaranty, 5.00%, 6/01/39	6,000,000		6,229,740
AGMC Insured, 5.00%, 6/01/40	3,000,000		3,105,570
			47,928,679
South Dakota 0.2%			
Brookings COP, Refunding, AMBAC Insured, 5.10%, 12/01/18	3,935,000 1,205,000		3,936,298 1,315,535
	, ,		5,251,833
Tennessee 0.4%			
Johnson City Health and Educational Facilities Board Hospital Revenue, Johnson City Medical Center Hospital, Improvement,			
NATL Insured, ETM, 5.25%, 7/01/28	8,500,000		8,504,590
Series C, NATL Insured, Pre-Refunded, 5.125%, 7/01/25	390,000		390,745
			8,895,335
Texas 7.3%			
Austin Electric Utility System Revenue, AGMC Insured, 5.00%, 11/15/25	2,750,000		3,010,618
6.30%, 1/01/17	5,005,000		5,453,548
7/15/24	3,000,000		3,292,230
7/15/30	10,000,000 12,000,000		10,582,100 12,617,640

Franklin Insured Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Texas (continued)		
Harris County Hospital District Revenue, senior lien, Refunding, Series A, NATL Insured,		
5.25%, 2/15/37	\$10,250,000	\$ 10,384,787
Harris County Houston Sports Authority Revenue, senior lien, Series G, NATL Insured, 5.25%,		
11/15/30	21,325,000	20,460,484
Laredo ISD Public Facility Corp. Lease Revenue, Series C, AMBAC Insured, 5.00%,		
8/01/29	1,000,000	980,610
North Fort Bend Water Authority Water System Revenue, Assured Guaranty, 5.25%,		
12/15/34	20,000,000	20,601,400
North Harris County Regional Water Authority Revenue, senior lien,		
NATL RE, FGIC Insured, Pre-Refunded, 5.00%, 12/15/33	10,000,000	10,132,900
Refunding, Build America Mutual Assurance, 5.00%, 12/15/29	6,405,000	6,640,384
Refunding, Build America Mutual Assurance, 5.00%, 12/15/30	6,725,000	6,910,476
Refunding, Build America Mutual Assurance, 5.00%, 12/15/31	5,000,000 5,000,000	5,103,850
Refunding, Build America Mutual Assurance, 5.00%, 12/15/32	5,000,000	5,111,400
5.50%, 2/15/39	12,530,000	13,221,531
Port Neches-Groves ISD, GO, Jefferson County, Unlimited Tax School Building,	12,330,000	13,221,331
Assured Guaranty, 5.00%, 2/15/34	11,375,000	11,716,932
San Antonio Airport System Revenue, Improvement, Passenger Facility Charge, sub. lien,	11,575,000	11,710,332
Refunding and Improvement, AGMC Insured, 5.375%, 7/01/40	5,000,000	5,138,850
San Marcos Electric Utility System Revenue, Hays Caldwell and Guadalupe Counties, Build	0,000,000	0,100,000
America Mutual Assurance, 5.00%, 11/01/33	6,300,000	5,917,212
Tarrant County Health Facilities Development Corp. Health Systems Revenue, Harris Methodist	-,,	-,,
Health System, NATL Insured, ETM, 6.00%, 9/01/24	3,250,000	3,885,895
Texas State Transportation Commission Turnpike System Revenue, first tier, Refunding,	, ,	, ,
Series A,		
AGMC Insured, 5.00%, 8/15/41	7,500,000	7,121,325
Build America Mutual Assurance, 5.00%, 8/15/41	9,665,000	9,244,476
		177,528,648
Ht-1-0-00/÷		
Utah 0.0%†	25 000	27.450
Provo Electric System Revenue, Series A, AMBAC Insured, ETM, 10.375%, 9/15/15	25,000	27,459
Virginia 0.7%		
Chesterfield County EDA Revenue, Bon Secours Health System Inc., Series C-2,		
Assured Guaranty, 5.00%, 11/01/42	8,000,000	7,656,560
Front Royal and Warren County IDA Lease Revenue, Series B, AGMC Insured, Pre-Refunded,		
5.00%, 4/01/35	5,000,000	5,136,600
Middle River Regional Jail Authority Jail Facility Revenue, NATL Insured, 5.00%, 5/15/28	3,510,000	3,550,084
		16,343,244
Washington 1.4%		
King County Sewer Revenue, Refunding, Second Series, AGMC Insured, 5.00%, 1/01/36	5,000,000	5,117,850
Snohomish County PUD No. 1 Electric Revenue, Generation System, FGIC Insured, ETM,	-,-30,000	-,-2,,000
6.65%, 1/01/16	3,375,000	3,637,372
		. ,

Municipal Bonds (continued) Washington (continued) Washington State Health Care Facilities Authority Revenue, MultiCare Health System, Series B, Assured Guaranty, 6.00%, 8/15/39 \$1,500,000 \$1,572,345 Providence Health and Services, Refunding, Series D, AGMC Insured, 5.25%, 10/01/33 18,000,000 18,749,880 Virginia Mason Medical Center, Series B, NATL Insured, 5.00%, 2/15/27 5,425,000 5,377,694 West Virginia 0.5% T,445,000 7,573,426 Shepherd University Board of Governors Revenue, Residence Facilities Projects, NATL Insured, 5.00%, 6/01/35 7,445,000 7,573,426 West Virginia State Water Development Authority Water Development Revenue, Loan Program II, Refunding, Series A-II, NATL RE, FGIC Insured, 5.00%, 11/01/36 5,000,000 5,109,300 Wisconsin 1.0% Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21 3,000,000 3,580,050 Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/36 20,000,000 25,186,250 U.S. Territories 3.8% Puerto Rico 2.8% Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A 10,000,000 8,057,000	Franklin Insured Tax-Free Income Fund	Principal Amount		Value
Washington State Health Care Facilities Authority Revenue, MultiCare Health System, Series B, Assured Guaranty, 6.00%, 8/15/39 \$1,500,000 \$1,572,345 Providence Health and Services, Refunding, Series D, AGMC Insured, 5.25%, 18,000,000 18,749,880 10/01/33 18,000,000 5,377,694 2,377,694 34,455,141 West Virginia 0.5% Shepherd University Board of Governors Revenue, Residence Facilities Projects, NATL Insured, 5.00%, 6/01/35 NATL Insured, 5.00% for Jaste Water Development Authority Water Development Revenue, Loan Program II, Refunding, Series A-II, NATL RE, FGIC Insured, 5.00%, 11/01/36 Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21 3,000,000 3,580,050 Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/36 20,000,000 25,186,250 U.S. Territories 3.8% Puerto Rico 2.8% Puerto Rico 2 Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,	•			
Providence Health and Services, Refunding, Series D, AGMC Insured, 5.25%, 10/01/33				
10/01/33 18,000,000 18,749,880 Virginia Mason Medical Center, Series B, NATL Insured, 5.00%, 2/15/27 5,425,000 5,377,694 West Virginia 0.5% Shepherd University Board of Governors Revenue, Residence Facilities Projects,		\$ 1,500,000	\$	1,572,345
West Virginia 0.5% Shepherd University Board of Governors Revenue, Residence Facilities Projects, NATL Insured, 5.00%, 6/01/35 7,445,000 7,573,426 West Virginia State Water Development Authority Water Development Revenue, Loan Program II, Refunding, Series A-II, NATL RE, FGIC Insured, 5.00%, 11/01/36 5,000,000 5,109,300 12,682,726 Wisconsin 1.0% Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21 3,000,000 3,580,050 Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/36 20,000,000 21,606,200 U.S. Territories 3.8% Puerto Rico 2.8% Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,	10/01/33	18,000,000		18,749,880
West Virginia 0.5% Shepherd University Board of Governors Revenue, Residence Facilities Projects, NATL Insured, 5.00%, 6/01/35	Virginia Mason Medical Center, Series B, NATL Insured, 5.00%, 2/15/27	5,425,000		5,377,694
Shepherd University Board of Governors Revenue, Residence Facilities Projects, NATL Insured, 5.00%, 6/01/35				34,455,141
NATL Insured, 5.00%, 6/01/35	West Virginia 0.5%			
West Virginia State Water Development Authority Water Development Revenue, Loan Program II, Refunding, Series A-II, NATL RE, FGIC Insured, 5.00%, 11/01/36 5,000,000 5,109,300 12,682,726 Wisconsin 1.0% Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21 3,000,000 3,580,050 Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/36 20,000,000 21,606,200 U.S. Territories 3.8% Puerto Rico 2.8% Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,	Shepherd University Board of Governors Revenue, Residence Facilities Projects,			
Loan Program II, Refunding, Series A-II, NATL RE, FGIC Insured, 5.00%, 11/01/36 5,000,000 5,109,300 12,682,726 Wisconsin 1.0% Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21	· · · · · · · · · · · · · · · · · · ·	7,445,000		7,573,426
Wisconsin 1.0% Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21	- · · · · · · · · · · · · · · · · · · ·			
Wisconsin 1.0% Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21	Loan Program II, Refunding, Series A-II, NATL RE, FGIC Insured, 5.00%, 11/01/36	5,000,000		5,109,300
Superior Limited Obligation Revenue, Midwest Energy Resources, Refunding, Series E, NATL RE, FGIC Insured, 6.90%, 8/01/21				12,682,726
NATL RE, FGIC Insured, 6.90%, 8/01/21	Wisconsin 1.0%			
Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/36 20,000,000 21,606,200 25,186,250 U.S. Territories 3.8% Puerto Rico 2.8% Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,				
U.S. Territories 3.8% Puerto Rico 2.8% Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,		, ,		
U.S. Territories 3.8% Puerto Rico 2.8% Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,	Wisconsin State General Fund Annual Appropriation Revenue, Series A, 6.00%, 5/01/36	20,000,000		21,606,200
Puerto Rico 2.8% Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,				25,186,250
Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,	U.S. Territories 3.8%			
Accurad Cucrenty E 19E0/ 7/01/47				
	Assured Guaranty, 5.125%, 7/01/47	10,000,000		8,057,900
Puerto Rico Commonwealth Highways and Transportation Authority Highway Revenue, Refunding, Series CC, AGMC Insured, 5.25%,				
7/01/32		5 000 000		4 422 100
7/01/36		, ,		
Puerto Rico Sales Tax FICO Sales Tax Revenue,	Puerto Rico Sales Tax FICO Sales Tax Revenue,	-,,		, ,
First Subordinate, Series A, Assured Guaranty, 5.00%, 8/01/40	First Subordinate, Series A, Assured Guaranty, 5.00%, 8/01/40	10,000,000		8,530,800
First Subordinate, Series C, AGMC Insured, 5.125%, 8/01/42		20,000,000		, ,
Refunding, Senior Series C, 5.00%, 8/01/46 20,890,000 17,387,791	Refunding, Senior Series C, 5.00%, 8/01/46	, ,		17,387,791
Senior Series C, 5.25%, 8/01/40	Senior Series C, 5.25%, 8/01/40	7,000,000		6,226,290
69,406,415				69,406,415
U.S. Virgin Islands 1.0%	U.S. Virgin Islands 1.0%			
Virgin Islands PFAR, Matching Fund Loan Notes, senior lien, AGMC Insured, 5.00%,				
10/01/29	10/01/29	23,000,000		24,029,250
Total U.S. Territories 93,435,665	Total U.S. Territories			93,435,665
Total Municipal Bonds before Short Term Investments	Total Municipal Bonds before Short Term Investments			
(Cost \$2,433,569,754)			2,	395,764,352

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

Franklin Insured Tax-Free Income Fund	Principal Amount	Value
Short Term Investments 0.1% Municipal Bonds 0.1% Kentucky 0.1% b Louisville/Jefferson County Metro Government Health System Revenue, Norton Healthcare Inc., Series B, Daily VRDN and Put, 0.04%, 10/01/39	\$ 900,000	\$ 900,000
Louisiana 0.0%†		
bLouisiana Public Facilities Authority Hospital Revenue, Franciscan Missionaries of Our Lady Health System Project, Refunding, Series D, Daily VRDN and Put, 0.05%, 7/01/28	200,000	200,000
bLouisiana State Offshore Terminal Authority Deepwater Port Revenue, Loop LLC Project, First Stage, ACES, Refunding, Daily VRDN and Put, 0.06%, 9/01/17	600,000	600,000
First otage, No. 20, Northland, Dany Wild Fall, 0.0076, 3701717	000,000	800.000
Maryland 0.0% [†]		
^b Maryland State Health and Higher Educational Facilities Authority Revenue, University of		
Maryland Medical System, Refunding, Series D, Daily VRDN and Put, 0.05%, 7/01/41	400,000	400,000
Total Short Term Investments (Cost \$2,100,000)		2,100,000
Total Investments (Cost \$2,435,669,754) 97.9%		2,397,864,352
Other Assets, less Liabilities 2.1%		50,559,602
Net Assets 100.0%		\$2,448,423,954

See Abbreviations on page 194.

 $^{^{\}dagger}\text{Rounds}$ to less than 0.1% of net assets.

^aSecurity 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 Massachusetts Tax-Free Income Fund

	Six Months End August 31, 201		Yea	r Ended Febr	uary 28,	
Class A	(unaudited)	2013	2012a	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.16	\$12.02	\$11.11	\$11.60	\$10.94	\$11.20
Income from investment operations ^b :						
Net investment income ^c	0.20	0.42	0.47	0.47	0.49	0.49
Net realized and unrealized gains (losses)	(1.23)	0.14	0.91	(0.46)	0.66	(0.27)
Total from investment operations	(1.03)	0.56	1.38	0.01	1.15	0.22
Less distributions from:						
Net investment income	(0.19)	(0.42)	(0.47)	(0.48)	(0.49)	(0.48)
Net realized gains		_	(—) ^d	(0.02)	_	
Total distributions	(0.19)	(0.42)	(0.47)	(0.50)	(0.49)	(0.48)
Redemption feese		_	_	_	_	d
Net asset value, end of period	\$10.94	\$12.16	\$12.02	\$11.11	\$11.60	\$10.94
Total return ^f	(8.54)%	4.75%	12.65%	0.01%	10.66%	2.00%
Ratios to average net assets ^g						
Expenses	0.65%	0.65%	0.66%	0.66%	0.67%	0.66%
Net investment income	3.45%	3.49%	4.05%	4.06%	4.27%	4.38%
Supplemental data						
Net assets, end of period (000's)	\$453,942	\$525,946	\$461,749	\$439,506	\$494,372	\$445,680
Portfolio turnover rate	3.89%	20.05%	14.50%	18.65%	6.61%	7.45%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Massachusetts Tax-Free Income Fund

	Six Months Ende August 31, 2013		Year Ended February 28,			
Class C	(unaudited)	2013	2012a	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.29	\$12.14	\$11.22	\$11.70	\$11.03	\$11.29
Income from investment operations ^b :						
Net investment income ^c	0.17	0.36	0.41	0.41	0.43	0.43
Net realized and unrealized gains (losses)	(1.25)	0.14	0.91	(0.46)	0.66	(0.27)
Total from investment operations	(1.08)	0.50	1.32	(0.05)	1.09	0.16
Less distributions from:						
Net investment income	(0.16)	(0.35)	(0.40)	(0.41)	(0.42)	(0.42)
Net realized gains		_	(—) ^d	(0.02)	_	
Total distributions	(0.16)	(0.35)	(0.40)	(0.43)	(0.42)	(0.42)
Redemption feese		_	_		_	d
Net asset value, end of period	\$11.05	\$12.29	\$12.14	\$11.22	\$11.70	\$11.03
Total return ^f	(8.88)%	4.20%	12.01%	(0.47)%	10.06%	1.42%
Ratios to average net assets ^g						
Expenses	1.20%	1.20%	1.21%	1.21%	1.22%	1.20%
Net investment income	2.90%	2.94%	3.50%	3.51%	3.72%	3.84%
Supplemental data Net assets, end of period (000's)	¢71 <i>476</i>	¢00 1 <i>44</i>	¢01 070	\$83,046	\$83,397	¢69.027
Portfolio turnover rate	\$71,476 3.89%	\$90,144 20.05%	\$84,078 14.50%	\$83,046 18.65%	\$83,397 6.61%	\$68,027 7.45%
i ortiono turnover fate	3.03%	20.05%	14.30%	10.00%	0.01%	7.45%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin Massachusetts Tax-Free Income Fund

	Six Months Ended		Year Ended	February 28,	
Advisor Class	August 31, 2013 (unaudited)	2013	2012ª	2011	2010b
Per share operating performance					
(for a share outstanding throughout the period)					
Net asset value, beginning of period	\$12.16	\$12.02	\$11.11	\$11.60	\$11.08
Income from investment operations ^c :					
Net investment income ^d	0.21	0.44	0.48	0.48	0.33
Net realized and unrealized gains (losses)	(1.23)	0.14	0.91	(0.46)	0.52
Total from investment operations	(1.02)	0.58	1.39	0.02	0.85
Less distributions from:					
Net investment income	(0.20)	(0.44)	(0.48)	(0.49)	(0.33)
Net realized gains		_	(—_)e	(0.02)	
Total distributions	(0.20)	(0.44)	(0.48)	(0.51)	(0.33)
Net asset value, end of period	\$10.94	\$12.16	\$12.02	\$11.11	\$11.60
Total return ^f	(8.49)%	4.85%	12.76%	0.12%	7.69%
Ratios to average net assets ^g					
Expenses	0.55%	0.55%	0.56%	0.56%	0.57%
Net investment income	3.55%	3.59%	4.15%	4.16%	4.37%
Supplemental data					
Net assets, end of period (000's)	\$6,564	\$9,135	\$7,743	\$4,007	\$4,012
Portfolio turnover rate	3.89%	20.05%	14.50%	18.65%	6.61%

^aFor the year ended February 29.

bFor the period July 1, 2009 (effective date) to February 28, 2010.

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.

dBased on average daily shares outstanding.

eAmount rounds to less than \$0.01 per share.

[†]Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

Statement of Investments, August 31, 2013 (unaudited)

Franklin Massachusetts Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds 97.4%		
Massachusetts 94.3%		
Auburn GO, AMBAC Insured, 5.125%, 6/01/24	\$ 1,465,000	\$ 1,496,512
Boston GO, Series A, 4.00%, 4/01/32	4,020,000	3,745,715
Dudley-Charlton Regional School District GO, Series B, NATL RE, FGIC Insured, 5.25%,		
5/01/19	3,140,000	3,566,067
Martha's Vineyard Land Bank Revenue, AMBAC Insured,		
4.875%, 5/01/22	2,000,000	2,004,520
5.00%, 5/01/34	7,000,000	7,089,950
Massachusetts Bay Transportation Authority Revenue, General Transportation System, Series C,		
NATL RE, FGIC Insured, 5.25%, 3/01/15	2,000,000	2,145,400
Massachusetts Bay Transportation Authority Sales Tax Revenue, Senior, Refunding,		
Series A, 5.00%, 7/01/30	5,000,000	5,250,150
Series A, 5.25%, 7/01/30	10,000,000	10,791,500
Series A, NATL Insured, 5.25%, 7/01/28	1,500,000	1,660,125
Series B, NATL Insured, 5.50%, 7/01/28	2,000,000	2,263,280
Massachusetts State College Building Authority Project Revenue,		
Refunding, Series B, XLCA Insured, 5.50%, 5/01/39	5,000,000	5,528,650
Series A, Assured Guaranty, 5.00%, 5/01/33	10,000,000	10,258,000
Series B, 5.00%, 5/01/40	4,625,000	4,772,584
Massachusetts State Department of Transportation Metropolitan Highway System Revenue,		
Commonwealth Contract Assistance Secured, Series B, 5.00%, 1/01/35	16,165,000	16,515,134
Massachusetts State Development Finance Agency Revenue,		
Boston College Issue, Series P, NATL Insured, 4.75%, 7/01/42	11,000,000	11,037,400
Boston University Issue, Series T-1, AMBAC Insured, 5.00%, 10/01/35	3,600,000	3,655,044
Boston University Issue, Series T-1, AMBAC Insured, 5.00%, 10/01/39	18,630,000	18,844,804
Brandeis University Issue, Series N, 5.00%, 10/01/39	5,000,000	4,999,800
The Broad Institute Issue, Series A, 5.375%, 4/01/41	15,000,000	15,340,950
Massachusetts College of Pharmacy and Allied Health Sciences Issue, Series E,		
Assured Guaranty, 5.00%, 7/01/31	5,000,000	5,114,800
Massachusetts College of Pharmacy and Allied Health Sciences Issue, Series E,		
Assured Guaranty, 5.00%, 7/01/37	5,035,000	5,083,437
Northeastern University Issue, 4.00%, 10/01/35	5,000,000	4,149,900
Partners Healthcare System Issue, Refunding, Series L, 5.00%, 7/01/41	5,450,000	5,290,260
Southcoast Health System Obligated Group, Series F, 5.00%, 7/01/37	1,400,000	1,337,966
Sterling and Francine Clark Art Institute Issue, 5.00%, 7/01/41	12,900,000	12,973,788
Western New England College Issue, Refunding, Series A, Assured Guaranty, 5.00%,		
9/01/33	12,200,000	11,810,454
WGBH Educational Foundation Issue, Refunding, Series A, Assured Guaranty, 5.00%,		
1/01/36	15,945,000	15,443,689
Worcester Polytechnic Institute Issue, 4.00%, 9/01/49	4,825,000	3,821,304
Worcester Polytechnic Institute Issue, Refunding, NATL Insured, 5.00%, 9/01/37	12,850,000	13,058,684
Massachusetts State Educational Financing Authority Education Loan Revenue, Issue I,		
6.00%, 1/01/28	8,755,000	9,194,851
Refunding, Series A, 5.50%, 1/01/22	3,000,000	3,250,740
Massachusetts State GO,		
Consolidated Loan, Series A, AGMC Insured, Pre-Refunded, 5.00%, 3/01/24	5,000,000	5,348,850
Consolidated Loan, Series C, AMBAC Insured, 5.00%, 8/01/37	10,000,000	10,376,200
Refunding, Series A, AMBAC Insured, 5.50%, 8/01/30	15,340,000	17,374,851

Franklin Massachusetts Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Massachusetts (continued)		
Massachusetts State Health and Educational Facilities Authority Revenue,		
Boston College Issue, Series N, NATL Insured, 5.125%, 6/01/33	\$ 5,000,000	\$ 5,010,400
Cable Housing and Health Services Issue, Series A, NATL Insured, 5.25%, 7/01/23	1,000,000	1,000,220
Cape Cod Healthcare Obligated Group, Assured Guaranty, 6.00%, 11/15/28	3,000,000	3,177,510
Cape Cod Healthcare Obligated Group, Assured Guaranty, 5.125%, 11/15/35	3,150,000	3,030,615
Children's Hospital Issue, Series M, 5.25%, 12/01/39	7,000,000	7,129,780
Emmanuel College Issue, NATL Insured, 5.00%, 7/01/37	10,000,000	9,808,200
Lesley University Issue, Series A, Assured Guaranty, 5.25%, 7/01/39	9,350,000	9,546,537
Partners Healthcare System Issue, Refunding, Series J1, 5.00%, 7/01/39	4,345,000	4,227,989
Southcoast Health System Obligated Group, Series D, 5.00%, 7/01/39	5,500,000	5,195,080
Sterling and Francine Clark Art Institute Issue, Series B, 5.00%, 7/01/40	10,000,000	10,161,000
Massachusetts State HFA, MFHR, Section 8 Assisted, Series A, ETM, 7.00%, 4/01/21	430,000	546,104
Massachusetts State HFAR,		
Housing, Refunding, Series A, 3.50%, 12/01/31	5,805,000	5,117,746
Housing, Series A, 3.25%, 12/01/27	4,000,000	3,576,320
Housing, Series C, 5.125%, 12/01/39	1,700,000	1,715,759
Housing, Series C, 5.35%, 12/01/49	4,500,000	4,559,445
Housing, Series F, 2.875%, 12/01/27	2,020,000	1,736,049
Housing, Series F, 3.15%, 12/01/32	3,445,000	2,826,726
Housing, Series F, 3.45%, 12/01/37	1,500,000	1,167,810
Series D, 5.05%, 6/01/40	4,450,000	4,469,446
SF Housing, Series 159, 4.05%, 12/01/32	12,000,000	11,188,440
SF, Series 162, 3.15%, 12/01/32	10,905,000	8,805,460
Massachusetts State Port Authority Revenue,		
Refunding, Series B, 5.00%, 7/01/32	3,250,000	3,326,603
Series A, AGMC Insured, 4.50%, 7/01/32	5,590,000	5,512,858
Series A, AGMC Insured, 4.50%, 7/01/37	7,935,000	7,480,563
Series A, AMBAC Insured, 5.00%, 7/01/35	10,000,000	10,415,000
Massachusetts State School Building Authority Dedicated Sales Tax Revenue,		
Senior, Series B, 5.00%, 10/15/41	10,000,000	10,125,900
Series A, AMBAC Insured, 4.75%, 8/15/32	15,000,000	15,182,400
Massachusetts State Special Obligation Dedicated Tax Revenue,		
FGIC Insured, Pre-Refunded, 5.25%, 1/01/29	5,000,000	5,080,950
Refunding, NATL RE, FGIC Insured, 5.50%, 1/01/25	15,900,000	17,731,203
Refunding, NATL RE, FGIC Insured, 5.50%, 1/01/34	16,900,000	17,969,263
Massachusetts State Transportation Fund Revenue, Accelerated Bridge Program, Series A,		
4.00%, 6/01/31	5,555,000	5,349,354
Massachusetts State Water Pollution Abatement Trust Revenue, 2012,		
Pool Loan Program Bonds, Series 6, 5.50%, 8/01/30	1,005,000	1,007,482
Pooled Loan Program, Series 7, 5.125%, 2/01/31	1,900,000	1,904,104
Massachusetts State Water Pollution Abatement Trust Water Pollution Abatement Revenue,		
MWRA Program, Refunding, Sub Series A, 5.75%, 8/01/29	250,000	250,668
Massachusetts State Water Resources Authority Revenue,		
General, Refunding, Series B, AGMC Insured, 5.25%, 8/01/28	5,490,000	6,052,999
Series A, AGMC Insured, 4.50%, 8/01/46	5,325,000	5,095,759
Metropolitan Boston Transit Parking Corp. Systemwide Parking Revenue, senior lien,		
5.00%, 7/01/41	7,500,000	7,523,550
Refunding, 5.25%, 7/01/36	5,585,000	5,721,274

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

Franklin Massachusetts Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
Massachusetts (continued)		
Monson GO, AMBAC Insured, 5.25%, 11/01/23	\$ 1,675,000	\$ 1,698,953
Springfield GO, State Qualified Municipal Purpose Loan, AGMC Insured, 4.50%, 8/01/26	2,000,000	2,030,840
University of Massachusetts Building Authority Project Revenue, Senior Series 1, AMBAC Insured, Pre-Refunded, 5.25%,		
11/01/23	2,155,000	2,171,938
11/01/28	5,035,000	5,074,575
11/01/29	3,000,000	3,173,700
Worcester GO, Assured Guaranty, 5.00%, 11/01/37	3,000,000	2,962,500
		501,434,431
U.S. Territories 3.1%		
Puerto Rico 3.1%		
Puerto Rico Sales Tax FICO Sales Tax Revenue,		
Capital Appreciation, Refunding, Series A, AMBAC Insured, zero cpn., 8/01/47	24,655,000	2,126,247
Capital Appreciation, Refunding, Series A, NATL Insured, zero cpn., 8/01/43	26,000,000	3,002,480
Senior Series C, 5.25%, 8/01/40	13,000,000	11,563,110
		16,691,837
Total Municipal Bonds (Cost \$538,221,379) 97.4%		518,126,268
Other Assets, less Liabilities 2.6%		13,855,467
Net Assets 100.0%		\$531,981,735

See Abbreviations on page 194.

Financial Highlights

Franklin New Jersey Tax-Free Income Fund

	Six Months Ende			ear Ended Febr	uary 28,	
Class A	(unaudited)	2013	2012a	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.62	\$12.55	\$11.49	\$11.99	\$11.29	\$11.45
Income from investment operations ^b :						
Net investment income ^c	0.22	0.47	0.52	0.51	0.52	0.51
Net realized and unrealized gains (losses)	(1.17)	0.06	1.06	(0.49)	0.69	(0.18)
Total from investment operations	(0.95)	0.53	1.58	0.02	1.21	0.33
Less distributions from:						
Net investment income	(0.22)	(0.46)	(0.52)	(0.52)	(0.51)	(0.49)
Net realized gains				(<u>)</u> d		
Total distributions	(0.22)	(0.46)	(0.52)	(0.52)	(0.51)	(0.49)
Redemption feese				_		d
Net asset value, end of period	\$11.45	\$12.62	\$12.55	\$11.49	\$11.99	\$11.29
Total return ^f	(7.64)%	4.31%	14.09%	0.11%	10.87%	2.94%
Ratios to average net assets ^g						
Expenses	0.61%	0.63%	0.63%	0.63%	0.63%	0.63%
Net investment income	3.65%	3.69%	4.30%	4.26%	4.42%	4.41%
Supplemental data						
Net assets, end of period (000's)	\$1,049,232	\$1,281,242	\$1,201,084	\$1,128,665	\$1,230,689	\$1,100,142
Portfolio turnover rate	5.89%	13.02%	8.01%	12.97%	9.93%	10.97%

^aFor the year ended February 29.

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.

^cBased on average daily shares outstanding.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

 $[\]ensuremath{\mathsf{gRatios}}$ are annualized for periods less than one year.

Financial Highlights (continued)

Franklin New Jersey Tax-Free Income Fund

	Six Months End August 31, 201	Months Ended Igust 31, 2013 Year Ended February 28,				
Class C	(unaudited)	2013	2012ª	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.76	\$12.68	\$11.60	\$12.11	\$11.39	\$11.55
Income from investment operations ^b :						
Net investment income ^c	0.19	0.40	0.45	0.45	0.46	0.45
Net realized and unrealized gains (losses)	(1.19)	0.07	1.09	(0.51)	0.70	(0.18)
Total from investment operations	(1.00)	0.47	1.54	(0.06)	1.16	0.27
Less distributions from:						
Net investment income	(0.18)	(0.39)	(0.46)	(0.45)	(0.44)	(0.43)
Net realized gains		_	_	(—) ^d	_	
Total distributions	(0.18)	(0.39)	(0.46)	(0.45)	(0.44)	(0.43)
Redemption feese						d
Net asset value, end of period	\$11.58	\$12.76	\$12.68	\$11.60	\$12.11	\$11.39
Total return ^f	(7.90)%	3.77%	13.52%	(0.53)%	10.35%	2.35%
Ratios to average net assets ^g						
Expenses	1.16%	1.18%	1.18%	1.18%	1.18%	1.18%
Net investment income	3.10%	3.14%	3.75%	3.71%	3.87%	3.86%
Supplemental data						
Net assets, end of period (000's)	\$271,902	\$331,573	\$296,302	\$276,916	\$292,947	\$207,945
Portfolio turnover rate	5.89%	13.02%	8.01%	12.97%	9.93%	10.97%

^aFor the year ended February 29.

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.

Based on average daily shares outstanding.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

Financial Highlights (continued)

Franklin New Jersey Tax-Free Income Fund

	Six Months Ende		Year	Ended Februa	ary 28,	
Advisor Class	(unaudited)	2013	2012a	2011	2010	2009b
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.63	\$12.55	\$11.49	\$11.99	\$11.29	\$11.78
Income from investment operations ^c :						
Net investment incomed	0.23	0.48	0.53	0.52	0.53	0.35
Net realized and unrealized gains (losses)	(1.18)	0.08	1.07	(0.49)	0.69	(0.51)
Total from investment operations	(0.95)	0.56	1.60	0.03	1.22	(0.16)
Less distributions from:						
Net investment income	(0.22)	(0.48)	(0.54)	(0.53)	(0.52)	(0.33)
Net realized gains		_	_	(<u> </u>)e		
Total distributions	(0.22)	(0.48)	(0.54)	(0.53)	(0.52)	(0.33)
Redemption feesf						e
Net asset value, end of period	\$11.46	\$12.63	\$12.55	\$11.49	\$11.99	\$11.29
Total returng	(7.59)%	4.50%	14.20%	0.21%	10.98%	(1.29)%
Ratios to average net assets ^h						
Expenses	0.51%	0.53%	0.53%	0.53%	0.53%	0.53%
Net investment income	3.75%	3.79%	4.40%	4.36%	4.52%	4.51%
Supplemental data						
Net assets, end of period (000's)	\$69,827	\$81,557	\$63,827	\$25,378	\$13,791	\$770
Portfolio turnover rate	5.89%	13.02%	8.01%	12.97%	9.93%	10.97%

^aFor the year ended February 29.

bFor the period July 1, 2008 (effective date) to February 28, 2009.

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.

dBased on average daily shares outstanding.

eAmount rounds to less than \$0.01 per share.

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

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

hRatios are annualized for periods less than one year.

Statement of Investments, August 31, 2013 (unaudited)

Franklin New Jersey Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds 97.3%		
Delaware 0.4%		
Delaware River and Bay Authority Revenue, Series A, 5.00%, 1/01/42	\$ 6,000,000	\$ 5,990,520
New Jersey 74.3%		
Atlantic County Improvement Authority Luxury Tax Revenue, Convention Center Project,		
NATL Insured, ETM, 7.40%, 7/01/16	5,315,000	5,783,305
Bergen County Improvement Authority School District Revenue GO, Wyckoff Township Board	3,313,000	3,763,303
of Education Project, Pre-Refunded, 5.00%, 4/01/32	3,400,000	3,650,444
Bergen County Utilities Authority Water PCR, System, AMBAC Insured, 5.00%, 12/15/31	3,000,000	3,110,220
Bernards Township School District GO, NATL Insured, Pre-Refunded, 5.00%, 12/13/31	3,000,000	3,110,220
7/15/30	8,358,000	9,052,215
7/15/30	1,680,000	1,821,170
Cape May County Industrial PCFA Revenue, Atlantic City Electric Co. Project, Refunding,	1,000,000	1,021,170
Series A, NATL Insured, 6.80%, 3/01/21	5,400,000	6,443,334
Egg Harbor Township School District GO, NATL Insured, Pre-Refunded, 5.00%, 4/01/30	3,027,000	3,245,005
Essex County Improvement Authority Lease Revenue, City of Newark Project, Series A,	3,027,000	3,243,003
6.00%, 11/01/25	5,000,000	5,384,450
6.25%, 11/01/30	1,690,000	1,772,134
Garden State Preservation Trust Open Space and Farmland Revenue, Refunding, Series A,	1,030,000	1,772,154
4.00%, 11/01/23	14,000,000	14,622,020
Hoboken GO, Parking Utility, Refunding, Series A, FGIC Insured, 5.00%, 1/01/23	1,370,000	1,371,041
Hudson County Improvement Authority Lease Revenue, County Secured, County Services	1,070,000	1,071,011
Building Project, AGMC Insured, 5.00%, 4/01/32	3,895,000	3,902,439
Hudson County Improvement Authority Parking Revenue, County-Guaranteed, Harrison Parking	0,030,000	0,302,103
Facility Redevelopment Project, Series C, Assured Guaranty, 5.125%, 1/01/34	2,000,000	2,027,260
Mercer County GO, General Improvement, 3.00%,	_,,,,,,,	_,===,===
2/01/30	1,250,000	1,006,838
2/01/31	1,915,000	1,525,910
2/01/32	1,985,000	1,562,413
Middlesex County COP, NATL Insured, zero cpn., 6/15/24	1,000,000	641,620
Middlesex County Improvement Authority Lease Revenue, County Guaranteed, Regional		
Educational Services Commission Projects, 5.25%, 12/15/33	3,000,000	3,183,960
Middlesex County Improvement Authority Revenue, Administration Building Residential		
Project, FNMA Insured,		
5.25%, 7/01/21	750,000	750,975
5.35%, 7/01/34	1,575,000	1,575,315
Morristown Parking Authority Revenue, Guaranteed Parking, NATL Insured, 5.00%,		
8/01/30	1,815,000	1,852,316
8/01/33	2,630,000	2,661,481
Mount Olive Township Board of Education GO, NATL Insured, Pre-Refunded, 5.00%,		
7/15/29	7,875,000	8,197,954
New Jersey EDA Revenue,		
Cigarette Tax, Pre-Refunded, 5.75%, 6/15/34	5,000,000	5,216,350
Cigarette Tax, Refunding, 5.00%, 6/15/24	7,000,000	7,133,980
Cigarette Tax, Refunding, 5.00%, 6/15/28	3,000,000	2,862,600
Cigarette Tax, Refunding, 5.00%, 6/15/29	1,000,000	947,910
Cigarette Tax, Refunding, Assured Guaranty, 5.00%, 6/15/22	10,000,000	10,718,200
Montclair State University Student Housing Project, Provident Group, Montclair Properties		
LLC, Series A, 5.875%, 6/01/42	17,950,000	18,681,462

Franklin New Jersey Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
New Jersey (continued)			
New Jersey EDA Revenue, (continued)			
Motor Vehicle Surcharges, Series A, NATL Insured, 5.00%, 7/01/27	\$ 5,000,000	\$	5,059,600
Motor Vehicle Surcharges, Series A, NATL Insured, 5.00%, 7/01/29	12,500,000	Ψ	12,603,500
Motor Vehicle Surcharges, Series A, NATL Insured, 5.00%, 7/01/34	10,000,000		10,052,900
Municipal Rehabilitation, Series A, AMBAC Insured, 5.00%, 7/01/28	16,240,000		16,257,702
School Facilities Construction, Refunding, Series GG, 5.25%, 9/01/26	5,000,000		5,360,900
School Facilities Construction, Refunding, Series K, NATL RE, FGIC Insured, 5.25%,	3,000,000		, ,
12/15/21	10,000,000		11,456,500
School Facilities Construction, Refunding, Series N-1, NATL RE, FGIC Insured, 5.50%,			
9/01/27	8,660,000		9,495,084
School Facilities Construction, Series KK, 5.00%, 3/01/38	5,000,000		4,951,200
School Facilities Construction, Series L, AGMC Insured, Pre-Refunded, 5.00%,			
3/01/30	3,500,000		3,741,465
School Facilities Construction, Series O, Pre-Refunded, 5.125%, 3/01/28	5,000,000		5,354,250
School Facilities Construction, Series U, 5.00%, 9/01/37	5,000,000		4,965,450
School Facilities Construction, Series U, AMBAC Insured, 5.00%, 9/01/37	5,000,000		4,965,450
School Facilities Construction, Series Y, 5.00%, 9/01/33	6,000,000		6,002,580
School Facilities Construction, Series Z, Assured Guaranty, 5.50%, 12/15/34	3,000,000		3,179,790
New Jersey EDA State Lease Revenue, Liberty State Park Lease Rental, Refunding,			
AMBAC Insured, 5.75%, 3/15/20	4,605,000		4,618,999
New Jersey EDA Water Facilities Revenue, New Jersey-American Water Co. Inc. Project,			
Refunding,			
Series A, 5.70%, 10/01/39	10,000,000		10,372,900
Series B, 5.00%, 10/01/39	8,750,000		8,827,175
New Jersey Environmental Infrastructure Trust Revenue, Refunding, Series A-R, 4.00%,			
9/01/25	17,745,000		18,187,383
New Jersey Health Care Facilities Financing Authority Revenue,			
Atlantic Health System Hospital Corp., 6.00%, 7/01/41	10,600,000		11,528,666
Atlantic Health System Hospital Corp., Series A, 5.00%, 7/01/27	8,000,000		8,146,880
AtlantiCare Regional Medical Center Issue, Refunding, 5.00%, 7/01/25	4,605,000		4,834,743
AtlantiCare Regional Medical Center Issue, Refunding, 5.00%, 7/01/37	19,490,000		18,651,735
Barnabas Health Issue, Refunding, Series A, 5.00%, 7/01/23	1,250,000		1,301,488
Barnabas Health Issue, Refunding, Series A, 5.00%, 7/01/24	2,880,000		2,992,234
Barnabas Health Issue, Refunding, Series A, 5.00%, 7/01/25	1,500,000		1,538,640
Barnabas Health Issue, Refunding, Series A, 5.625%, 7/01/32	5,500,000		5,630,460
Hackensack University Medical Center, Refunding, Assured Guaranty, 5.25%, 1/01/31	5,000,000		5,161,350
Hackensack University Medical Center, Refunding, Assured Guaranty, 5.25%, 1/01/36	5,000,000		5,063,200
Holy Name Hospital Issue, 5.00%, 7/01/36	5,000,000		4,561,800
Hunterdon Medical Center Issue, Series A, 5.125%, 7/01/35	2,000,000		1,952,380
Meridian Health System Obligated Group Issue, Refunding, 5.00%, 7/01/27	2,500,000		2,590,025
Meridian Health System Obligated Group Issue, Tranche I, Assured Guaranty, 5.00%,			
7/01/38	9,775,000		9,778,421
Meridian Health System Obligated Group Issue, Tranche II, Assured Guaranty, 5.00%,			
7/01/38	13,670,000		13,674,785
^a Robert Wood Johnson University Hospital Issue, Series A, 5.50%, 7/01/43	4,000,000		3,988,040
Somerset Medical Center Issue, 5.75%, 7/01/28	11,000,000		11,000,110
South Jersey Hospital Issue, 5.00%, 7/01/36	12,000,000		11,602,800
South Jersey Hospital Issue, 5.00%, 7/01/46	27,200,000		25,733,104
	•		

Franklin New Jersey Tax-Free Income Fund	Principal Amount		Value
Municipal Bonds (continued)			
New Jersey (continued)			
New Jersey Health Care Facilities Financing Authority Revenue, (continued)			
St. Barnabas Health Care System Issue, Series A, 5.00%, 7/01/29	\$ 7,000,000	\$	6,901,720
St. Luke's Warren Hospital Obligated Group Issue, Refunding, 5.00%, 8/15/31	2,935,000	·	2,928,015
St. Luke's Warren Hospital Obligated Group Issue, Refunding, 5.00%, 8/15/34	1,500,000		1,456,365
St. Peter's University Hospital Obligated Group Issue, Refunding, 6.00%, 7/01/26	1,000,000		1,023,690
St. Peter's University Hospital Obligated Group Issue, Refunding, 6.25%, 7/01/35	3,400,000		3,405,882
Virtua Health Issue, Series A, Assured Guaranty, 5.50%, 7/01/38	10,000,000		10,183,400
New Jersey Health Care Facilities Financing Authority State Contract Revenue, Hospital Asset	.,,		.,,
Transformation Program, Series A,			
5.75%, 10/01/31	10,000,000		10,867,500
5.25%, 10/01/38	15,000,000		15,395,100
New Jersey Institute of Technology Revenue, Series A, 5.00%, 7/01/42	7,000,000		7,014,350
New Jersey State COP, Equipment Lease Purchase, Series A, 5.25%, 6/15/29	1,000,000		1,041,850
New Jersey State Educational Facilities Authority Revenue,	1,000,000		1,011,000
Georgian Court University, Refunding, Series D, 5.00%, 7/01/27	1,325,000		1,341,443
Georgian Court University, Refunding, Series D, 5.00%, 7/01/33	1,000,000		964,580
Kean University Issue, Refunding, Series A, 5.50%, 9/01/36	8,500,000		8,969,200
Kean University Issue, Series B, NATL Insured, Pre-Refunded, 5.00%, 7/01/30	5,240,000		5,859,158
Kean University Issue, Series D, AGMC Insured, 5.00%, 7/01/39	1,000,000		1,005,800
Kean University Issue, Series D, NATL RE, FGIC Insured, 5.00%, 7/01/39	4,695,000		4,705,800
Montclair State University Issue, Refunding, Series A, AMBAC Insured, 5.00%,	4,093,000		4,703,980
7/01/31	10,000,000		10,388,400
Montclair State University Issue, Refunding, Series A, AMBAC Insured, 5.00%,	10,000,000		10,366,400
7/01/36	20,000,000		20,619,200
Montclair State University Issue, Series J, 5.25%, 7/01/38	2,000,000		2,076,540
Princeton University, Refunding, Series A, 5.00%, 7/01/30	5,000,000		5,208,400
Princeton University, Refunding, Series E, 5.00%, 7/01/33	5,000,000		5,382,750
Princeton University, Series B, 5.00%, 7/01/39	15,000,000		15,449,100
Princeton University, Series B, 4.375%, 7/01/41	28,295,000		27,213,848
Princeton University, Series D, Pre-Refunded, 5.00%, 7/01/29	1,000,000		1,039,580
Ramapo College of New Jersey Issue, Series B, 5.00%, 7/01/37	1,000,000		1,002,760
Ramapo College of New Jersey Issue, Series B, 5.00%, 7/01/42	1,000,000		990,880
Ramapo College of New Jersey Issue, Series D, NATL Insured, Pre-Refunded, 5.00%,	6.745.000		7 501 070
7/01/36	6,745,000		7,531,872
Rowan University Issue, Refunding, Series D, AMBAC Insured, 5.00%, 7/01/24	1,755,000		1,824,323
Seton Hall University Issue, Refunding, Series E, 6.25%, 7/01/37	5,000,000		5,537,800
Stevens Institute of Technology Issue, Refunding, Series A, 5.00%, 7/01/34	4,750,000		4,571,258
Stevens Institute of Technology Issue, Refunding, Series I, 5.00%, 7/01/18	500,000		500,720
Stevens Institute of Technology Issue, Refunding, Series I, 5.00%, 7/01/28	865,000		865,268
Stevens Institute of Technology Issue, Series I, ETM, 5.00%, 7/01/18	435,000		456,746
Stevens Institute of Technology Issue, Series I, ETM, 5.00%, 7/01/28	710,000		740,750
The College of New Jersey Issue, Refunding, Series D, AGMC Insured, 5.00%, 7/01/28	5,940,000		6,205,815
The College of New Jersey Issue, Refunding, Series D, AGMC Insured, 5.00%, 7/01/35	11,000,000		11,312,180
The Richard Stockton College of New Jersey Issue, Refunding, Series A, 5.375%,			
7/01/38	5,000,000		5,218,250
The Richard Stockton College of New Jersey Issue, Refunding, Series F, AMBAC Insured,			
5.00%, 7/01/28	2,370,000		2,404,033
The William Paterson University of New Jersey Issue, Series C, Assured Guaranty, 5.00%,			
7/01/38	5,500,000		5,627,270

Franklin New Jersey Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New Jersey (continued)		
New Jersey State GO,		
Refunding, Series Q, 5.00%, 8/15/19	\$20,000,000	\$ 23,176,600
Various Purpose, 5.00%, 6/01/23	10,895,000	12,436,098
New Jersey State Higher Education Assistance Authority Student Loan Revenue,		, ,
Refunding, Series 1, 5.875%, 12/01/33	2,140,000	2,171,158
Refunding, Series 1A, 5.00%, 12/01/25	3,905,000	4,014,184
Refunding, Series 1A, 5.00%, 12/01/26	1,895,000	1,919,161
Refunding, Series 1A, 5.125%, 12/01/27	4,670,000	4,750,651
Refunding, Series 1A, 5.25%, 12/01/28	4,675,000	4,759,150
Series 2, 5.00%, 12/01/26	3,775,000	3,825,057
Series 2, 5.00%, 12/01/27	2,745,000	2,761,360
Series 2, 5.00%, 12/01/28	2,720,000	2,716,926
Series 2, 5.00%, 12/01/30	1,500,000	1,507,125
Series 2, 5.00%, 12/01/36	1,000,000	997,200
Series A, 5.625%, 6/01/30	14,500,000	14,880,625
Series A, Assured Guaranty, 6.125%, 6/01/30	10,000,000	10,328,100
New Jersey State Housing and Mortgage Finance Agency MFHR, Series I, 5.75%,	10,000,000	10,526,100
	2,680,000	2,716,394
11/01/38	2,000,000	2,710,394
	2 725 000	2 067 162
10/01/38	3,725,000	3,967,162
New Jersey State Transportation Trust Fund Authority Revenue,	F 000 000	0.107.000
Capital Appreciation, Transportation System, Series A, zero cpn., 12/15/29	5,000,000	2,137,300
Capital Appreciation, Transportation System, Series A, zero cpn., 12/15/32	10,000,000	3,422,500
Capital Appreciation, Transportation System, Series C, AGMC Insured, zero cpn.,	4.0.00.000	
12/15/33	10,000,000	3,048,900
Transportation Program, Series AA, 5.25%, 6/15/31	11,500,000	11,835,915
Transportation System, Refunding, Series B, AMBAC Insured, 5.25%, 12/15/23	5,000,000	5,593,750
Transportation System, Series A, 6.00%, 12/15/38	16,110,000	17,765,141
Transportation System, Series A, 5.50%, 6/15/41	5,000,000	5,178,600
Transportation System, Series A, AGMC Insured, 5.00%, 12/15/34	15,000,000	15,364,050
Transportation System, Series A, AMBAC Insured, 5.00%, 12/15/34	10,000,000	10,242,700
Transportation System, Series A, Pre-Refunded, 6.00%, 12/15/38	8,890,000	10,831,665
Transportation System, Series B, 5.00%, 6/15/42	7,000,000	6,842,780
New Jersey State Turnpike Authority Turnpike Revenue,		
Growth and Income Securities, Series B, AMBAC Insured, zero cpn. to 1/01/15,		
5.15% thereafter, 1/01/35	7,500,000	6,917,250
Refunding, Series I, 5.00%, 1/01/35	5,000,000	5,040,100
Series A, 5.00%, 1/01/35	4,000,000	3,999,720
Series E, 5.25%, 1/01/40	30,000,000	30,302,700
Series H, 5.00%, 1/01/36	14,000,000	13,980,260
Newark Housing Authority Port Authority Revenue, Newark Marine Terminal, City of Newark		
Redevelopment Projects, NATL Insured, Pre-Refunded,		
5.00%, 1/01/26	3,245,000	3,294,941
5.50%, 1/01/27	3,240,000	3,295,048
5.50%, 1/01/28	2,000,000	2,033,980
5.00%, 1/01/34	15,000,000	15,230,850
North Hudson Sewerage Authority Gross Revenue, Lease Certificates, Refunding, Series A,	,,	, -,
5.00%, 6/01/42	17,800,000	17,426,556

Franklin New Jersey Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
New Jersey (continued)		
Passaic County Improvement Authority Parking Facilities Revenue, 200 Hospital Plaza Corp.		
Project, 5.00%, 5/01/42	\$ 3,200,000	\$ 3,210,560
Rutgers State University GO,		
Refunding, Series J, 5.00%, 5/01/28	5,000,000	5,343,200
Series F, 5.00%, 5/01/39	20,000,000	20,293,800
Series L, 5.00%, 5/01/38	7,000,000	7,122,990
Series L, 5.00%, 5/01/43	15,500,000	15,688,480
Salem County PCFA, PCR, Atlantic City Electric Co. Project, Refunding, Series A, 4.875%,		
6/01/29	5,000,000	5,065,350
South Jersey Transportation Authority Transportation System Revenue, Refunding, Series A,		
5.00%,		
11/01/27	3,000,000	3,109,080
11/01/28	2,000,000	2,059,100
11/01/29	2,000,000	2,041,120
Sussex County Municipal Utilities Authority Wastewater Facilities Revenue,		
Capital Appreciation, Series B, AGMC Insured, zero cpn.,		
12/01/35	2,815,000	864,092
12/01/36	2,810,000	808,859
12/01/37	2,815,000	764,047
12/01/38	2,810,000	717,618
University of Medicine and Dentistry COP,		
NATL Insured, Pre-Refunded, 5.00%, 6/15/36	12,500,000	12,963,000
Series A, NATL Insured, 5.00%, 9/01/22	1,700,000	1,717,000
Upper Freehold Regional School District GO, NATL Insured, Pre-Refunded, 5.00%,		
2/15/35	8,730,000	9,884,019
		1,033,483,764
New York 8.7%		
Port Authority of New York and New Jersey Revenue, Consolidated,		
One Hundred Fifty-Third Series, Refunding, 5.00%, 7/15/38	8,850,000	8,894,958
One Hundred Forty-Eighth Series, AGMC Insured, 5.00%, 8/15/34	10,000,000	10,269,500
One Hundred Forty-Eighth Series, AGMC Insured, 5.00%, 8/15/37	5,000,000	5,114,700
One Hundred Forty-Fourth Series, 5.00%, 10/01/29	5,000,000	5,344,400
One Hundred Forty-Ninth Series, 5.00%, 11/15/31	10,000,000	10,500,300
One Hundred Seventy-First Series, 4.50%, 7/15/36	20,000,000	18,675,200
One Hundred Seventy-First Series, Refunding, 5.00%, 7/15/30	12,200,000	12,646,276
One Hundred Seventy-First Series, Refunding, 4.50%, 7/15/31	10,000,000	9,938,800
One Hundred Sixtieth Series, Refunding, 5.00%, 9/15/36	15,000,000	15,487,800
One Hundred Sixty-First Series, 5.00%, 10/15/33	10,000,000	10,432,300
One Hundred Sixty-Sixth Series, Refunding, 5.25%, 7/15/36	5,000,000	5,159,750
The Port Authority of New York and New Jersey Special Project Revenue, JFK International Air		
Terminal LLC Project, NATL Insured, 5.75%, 12/01/22	8,000,000	8,054,960
		120,518,944
Demonstration 1 40/		
Pennsylvania 1.4%		
Delaware River Joint Toll Bridge Commission Bridge Revenue, Series A, NATL Insured, 5.00%,	F 000 000	F 000 050
7/01/35	5,000,000	5,088,350
Delaware River Port Authority Revenue, Series E, 5.00%, 1/01/35	14,000,000	14,081,900
		19,170,250

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

Franklin New Jersey Tax-Free Income Fund	Principal Amount	Value
Municipal Bonds (continued)		
U.S. Territories 12.5%		
Puerto Rico 12.2%		
Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue, senior lien, Series A,		
6.00%, 7/01/44	\$ 4,100,000	\$ 2,986,235
Puerto Rico Commonwealth GO, Public Improvement,		
Refunding, AGMC Insured, 5.125%, 7/01/30	5,020,000	4,459,618
Refunding, Series A-4, AGMC Insured, 5.00%, 7/01/31	5,000,000	4,326,100
Series B, Pre-Refunded, 5.00%, 7/01/35	3,175,000	3,552,984
Puerto Rico Electric Power Authority Power Revenue,		
Series RR, FGIC Insured, Pre-Refunded, 5.00%, 7/01/35	30,000,000	32,485,800
Series TT, 5.00%, 7/01/32	10,000,000	7,120,700
Series TT, 5.00%, 7/01/37	12,925,000	8,865,904
Series WW, 5.50%, 7/01/38	16,620,000	12,264,064
Series XX, 5.25%, 7/01/40	14,500,000	10,157,975
Puerto Rico Industrial Tourist Educational Medical and Environmental Control Facilities		
Financing Authority Educational Facilities Revenue, University Plaza Project, Series A,		
NATL Insured, 5.00%, 7/01/33	1,000,000	815,830
Puerto Rico Infrastructure Financing Authority Revenue, Ports Authority Project, Series B,		
5.25%, 12/15/26	11,250,000	8,965,800
Puerto Rico Sales Tax FICO Sales Tax Revenue,		
first subordinate, Series A, 5.75%, 8/01/37	10,000,000	8,651,400
first subordinate, Series A, 5.50%, 8/01/42	17,000,000	13,962,270
first subordinate, Series A, 6.00%, 8/01/42	32,000,000	28,508,480
first subordinate, Series C, 5.50%, 8/01/40	20,000,000	16,552,600
Senior Series C, 5.25%, 8/01/40	6,290,000	5,594,766
		169,270,526
U.S. Virgin Islands 0.3%		
Virgin Islands PFAR, Gross Receipts Taxes Loan Note, Radian Insured, 5.00%, 10/01/33	5,000,000	4,733,100
Total U.S. Territories		174,003,626
		174,000,020
Total Municipal Bonds before Short Term Investments		
(Cost \$1,386,098,353)		1,353,167,104
Short Term Investments 0.5%		
Municipal Bonds 0.5%		
New Jersey 0.5%		
b New Jersey EDA, EDR, Lawrenceville School Project, Daily VRDN and Put, 0.05%,		
7/01/31	2,500,000	2,500,000
b New Jersey Health Care Facilities Financing Authority Revenue, Virtua Health, Series B,		
Daily VRDN and Put, 0.05%, 7/01/43	4,300,000	4,300,000
Total Short Term Investments (Cost \$6,800,000)		6,800,000
Total Investments (Cost \$1,392,898,353) 97.8%		1,359,967,104
Other Assets, less Liabilities 2.2%		30,994,599
Net Assets 100.0%		\$1,390,961,703

See Abbreviations on page 194.

^aSecurity 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 Statements

Statements of Assets and Liabilities

	Franklin Double Tax-Free Income Fund	Franklin Federal Intermediate-Term Tax-Free Income Fund	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund
Assets:				
Investments in securities:	# FFC FOO 460	¢2 511 700 067	Φ1 0C0 010 404	Φ0.170.407.F60
Cost	\$556,590,463	\$3,511,780,967	\$1,068,010,434	\$8,179,427,562
Value	\$483,678,157	\$3,559,178,029	\$1,079,017,861	\$8,072,236,281
Cash	13,895,287	91,291	3,684,200	66,337,041
Investment securities sold	6,614,265	40,254,758	_	41,693,559
Capital shares sold	529	6,848,892	4,114,590	46,068,032
Interest	6,400,529	40,354,041	8,263,126	110,284,606
Other assets	144	731	168	1,924
Total assets	510,588,911	3,646,727,742	1,095,079,945	8,336,621,443
Liabilities:				
Payables:				
Investment securities purchased	4,998,050	_	2,825,970	25,346,597
Capital shares redeemed	7,071,686	14,086,235	3,245,135	33,952,174
Management fees	208,707	1,380,370	359,791	3,110,553
Distribution fees	82,253	439,834	116,085	1,105,020
Transfer agent fees	59,381	374,167	51,519	951,722
Distributions to shareholders	211,668	1,318,943	245,978	4,867,239
Accrued expenses and other liabilities	48,380	69,555	3,018	271,084
Total liabilities	12,680,125	17,669,104	6,847,496	69,604,389
Net assets, at value	\$497,908,786	\$3,629,058,638	\$1,088,232,449	\$8,267,017,054
Net assets consist of:				
Paid-in capital	\$582,087,000	\$3,612,376,496	\$1,078,499,112	\$8,809,002,557
in excess of net investment income)	1,315,888	2,141,092	(245,208)	27,831,059
Net unrealized appreciation (depreciation)	(72,912,306)	47,397,062	11,007,427	(107,191,281)
Accumulated net realized gain (loss)	(12,581,796)	(32,856,012)	(1,028,882)	(462,625,281)
Net assets, at value	\$497,908,786	\$3,629,058,638	\$1,088,232,449	\$8,267,017,054

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

	Franklin Double	Franklin Federal Intermediate-Term	Franklin Federal Limited-Term	Franklin High Yield
	Tax-Free Income Fund	Tax-Free Income Fund	Tax-Free Income Fund	Tax-Free Income Fund
Class A:	meome rana	meome rana	meome rana	meome rana
Net assets, at value	\$412,709,821	\$1,982,436,588	\$ 947,232,835	\$5,230,813,942
Shares outstanding	40,840,470	168,013,135	90,847,707	539,934,604
Net asset value per share ^a	\$10.11	\$11.80	\$10.43	\$9.69
Maximum offering price per share (net asset value per share ÷ 95.75%, 97.75%, 97.75%, 95.75%,	410.56	410.07	410.67	\$10.10
respectively)	\$10.56	\$12.07	\$10.67	\$10.12
Class C:				
Net assets, at value	\$ 75,641,147	\$ 474,629,940		\$1,124,390,087
Shares outstanding	7,451,229	40,118,833		114,253,870
Net asset value and maximum offering price per share ^a	\$10.15	\$11.83		\$9.84
Advisor Class:				
Net assets, at value	\$ 9,557,818	\$1,171,992,110	\$ 140,999,614	\$1,911,813,025
Shares outstanding	944,360	99,147,219	13,530,873	196,618,562
Net asset value and maximum offering price per share	\$10.12	\$11.82	\$10.42	\$9.72

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

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

		Franklin	Franklin
	Franklin	Massachusetts	New Jersey
	Insured Tax-Free	Tax-Free	Tax-Free
	Income Fund	Income Fund	Income Fund
Assets:			
Investments in securities:			
Cost	\$2,435,669,754	\$538,221,379	\$1,392,898,353
Value	\$2,397,864,352	\$518,126,268	\$1,359,967,104
Cash	22,557,607	5,190,629	15,421,482
Receivables:			
Investment securities sold	15,713,739	4,861,592	13,643,233
Capital shares sold	51,840	1,986,520	1,537,163
Interest	30,063,224	5,844,987	14,581,934
Other assets	612	121	324
Total assets	2,466,251,374	536,010,117	1,405,151,240
Liabilities:			
Payables:			
Investment securities purchased	4,918,600	_	5,930,900
Capital shares redeemed	10,100,514	3,375,591	6,367,756
Management fees	938,998	220,117	542,417
Distribution fees	382,044	80,560	247,379
Transfer agent fees	172,685	40,584	150,895
Distributions to shareholders	1,214,950	289,450	885,698
Accrued expenses and other liabilities	99,629	22,080	64,492
Total liabilities	17,827,420	4,028,382	14,189,537
Net assets, at value	\$2,448,423,954	\$531,981,735	\$1,390,961,703
Net assets consist of:			
Paid-in capital	\$2,519,197,646	\$559,367,071	\$1,435,601,936
Undistributed net investment income	3,883,541	485,887	1,838,022
Net unrealized appreciation (depreciation)	(37,805,402)	(20,095,111)	(32,931,249)
Accumulated net realized gain (loss)	(36,851,831)	(7,776,112)	(13,547,006)
Net assets, at value	\$2,448,423,954	\$531,981,735	\$1,390,961,703

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

	Franklin Insured Tax-Free Income Fund	Franklin Massachusetts Tax-Free Income Fund	Franklin New Jersey Tax-Free Income Fund
Class A:			
Net assets, at value	\$2,013,421,617	\$453,941,638	\$1,049,232,207
Shares outstanding	174,338,640	41,490,130	91,603,656
Net asset value per share ^a	\$11.55	\$10.94	\$11.45
Maximum offering price per share (net asset value per share \div 95.75%)	\$12.06	\$11.43	\$11.96
Class C:			
Net assets, at value	\$ 383,306,059	\$ 71,476,011	\$ 271,902,263
Shares outstanding	32,759,226	6,466,136	23,477,473
Net asset value and maximum offering price per share ^a	\$11.70	\$11.05	\$11.58
Advisor Class:			
Net assets, at value	\$ 51,696,278	\$ 6,564,086	\$ 69,827,233
Shares outstanding	4,477,891	600,094	6,093,822
Net asset value and maximum offering price per share	\$11.54	\$10.94	\$11.46

^aRedemption 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 August 31, 2013 (unaudited)

	Franklin Double Tax-Free Income Fund	Franklin Federal Intermediate- Term Tax-Free Income Fund	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund
Investment income:				
Interest	\$ 16,232,272	\$ 64,546,005	\$ 9,431,995	\$ 240,452,556
Expenses:				
Management fees (Note 3a)	1,551,376	8,806,709	2,700,926	21,232,348
Administrative fees (Note 3b)	_	_	299,016	_
Class A	249,572	1,083,381	630,221	3,083,287
Class C	329,773	1,725,757	_	4,392,603
Class A	146,460	680,765	146,422	1,754,799
Class C	27,306	166,867	_	384,637
Advisor Class	3,527	382,367	20,470	608,539
Custodian fees	3,651	25,251	4,958	55,380
Reports to shareholders	28,147	138,708	18,948	321,344
Registration and filing fees	34,700	96,133	38,255	196,125
Professional fees	19,571	31,081	19,602	75,575
Trustees' fees and expenses	1,934	7,677	1,930	22,142
Other	23,427	83,491	34,226	470,331
Total expenses	2,419,444	13,228,187	3,914,974	32,597,110
Expenses waived/paid by affiliates (Note 3f)			(1,121,665)	
Net expenses	2,419,444	13,228,187	2,793,309	32,597,110
Net investment income	13,812,828	51,317,818	6,638,686	207,855,446
Realized and unrealized gains (losses): Net realized gain (loss) from investments	(5,247,028)	(8,576,471)	75,015	(159,130,911)
investments	(105,105,143)	(243,759,673)	(12,180,298)	(1,015,826,726)
Net realized and unrealized gain (loss)	(110,352,171)	(252,336,144)	(12,105,283)	(1,174,957,637)
Net increase (decrease) in net assets resulting from				
operations	\$ (96,539,343)	\$(201,018,326)	\$ (5,466,597)	\$ (967,102,191)

Financial Statements (continued)

Statements of Operations (continued)

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

	Franklin Insured Tax-Free Income Fund	Franklin Massachusetts Tax-Free Income Fund	Franklin New Jersey Tax-Free Income Fund
Investment income:			
Interest	\$ 62,661,777	\$ 12,230,081	\$ 34,180,779
Expenses:			
Management fees (Note 3a)	6,488,036	1,439,697	3,648,776
Class A	1,109,415	251,880	604,928
Class C	1,584,706	274,191	1,024,816
Transfer agent fees: (Note 3e)			
Class A	478,931	89,991	265,163
Class C	99,140	15,070	69,104
Advisor Class	13,187	1,512	17,167
Custodian fees	17,379	3,338	9,033
Reports to shareholders	77,042	12,843	40,875
Registration and filing fees	78,496	19,450	16,202
Professional fees	27,922	18,571	22,361
Trustees' fees and expenses	7,177	1,399	3,911
Other	68,589	16,840	40,015
Total expenses	10,050,020	2,144,782	5,762,351
Net investment income	52,611,757	10,085,299	28,418,428
Realized and unrealized gains (losses):			
Net realized gain (loss) from investments	(18,418,462)	(4,764,823)	(12,110,501)
Net change in unrealized appreciation (depreciation) on investments	(233,480,787)	(57,356,522)	(138,705,418)
Net realized and unrealized gain (loss)	(251,899,249)	(62,121,345)	(150,815,919)
Net increase (decrease) in net assets resulting from operations	\$(199,287,492)	\$(52,036,046)	\$(122,397,491)

Financial Statements (continued)

Statements of Changes in Net Assets

		n Double ncome Fund	Intermed	Franklin Federal Intermediate-Term Tax-Free Income Fund		
	Six Months Ended August 31, 2013 (unaudited)	Year Ended February 28, 2013	Six Months Ended August 31, 2013 (unaudited)	Year Ended February 28, 2013		
Increase (decrease) in net assets:						
Operations: Net investment income Net realized gain (loss) from	\$ 13,812,828	\$ 31,155,281	\$ 51,317,818	\$ 93,205,779		
investments	(5,247,028)	217,712	(8,576,471)	155,542		
(depreciation) on investments	(105,105,143)	(11,386,408)	(243,759,673)	50,568,973		
Net increase (decrease) in net assets resulting from operations	(96,539,343)	19,986,585	(201,018,326)	143,930,294		
Distributions to shareholders from: Net investment income:						
Class A	(11,421,335)	(25,492,524)	(27,817,892)	(54,261,305)		
Class C	(1,831,008)	(4,109,924)	(5,297,243)	(10,518,283)		
Advisor Class	(280,201)	(631,487)	(16,151,138)	(26,304,347)		
Total distributions to shareholders	(13,532,544)	(30,233,935)	(49,266,273)	(91,083,935)		
Capital share transactions: (Note 2)						
Class A	(97,485,090)	(33,691,305)	(133,211,578)	389,091,004		
Class C	(23,680,065)	1,413,547	(39,730,929)	94,474,602		
Advisor Class	(2,914,887)	1,061,573	104,978,737	339,374,872		
Total capital share transactions	(124,080,042)	(31,216,185)	(67,963,770)	822,940,478		
Net increase (decrease) in						
net assets	(234,151,929)	(41,463,535)	(318,248,369)	875,786,837		
Beginning of period	732,060,715	773,524,250	3,947,307,007	3,071,520,170		
End of period	\$ 497,908,786	\$732,060,715	\$3,629,058,638	\$3,947,307,007		
Undistributed net investment income included in net assets:						
End of period	\$ 1,315,888	\$ 1,035,604	\$ 2,141,092	\$ 89,547		

Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin Federal Limited-Term Tax-Free Income Fund			High Yield ncome Fund
			Six Months Ended August 31, 2013 (unaudited)	Year Ended February 28, 2013
Increase (decrease) in net assets: Operations:				
Net investment income Net realized gain (loss) from investments Net change in unrealized appreciation	\$ 6,638,686 75,015	\$ 13,828,818 103,548	\$ 207,855,446 (159,130,911)	\$ 393,985,896 (105,138,460)
(depreciation) on investments	(12,180,298)	(3,197,500)	(1,015,826,726)	422,807,102
Net increase (decrease) in net assets resulting from operations	(5,466,597)	10,734,866	(967,102,191)	711,654,538
Distributions to shareholders from: Net investment income:				
Class A	(5,805,245)	(12,196,004)	(125,436,556)	(259,869,776)
Class B	_	_	(22 222 000)	(231,254)
Class C	(896,900)	(1,784,731)	(23,233,980) (44,438,899)	(47,393,332) (76,507,017)
Total distributions to shareholders	(6,702,145)	(13,980,735)	(193,109,435)	(384,001,379)
Capital share transactions: (Note 2)		. , , .		
Class A	179,894,006	98,757,004	(591,054,009)	459,155,544
Class B	_	_	(422,960)	(13,134,270)
Class C		-	(161,366,248)	180,195,308
Advisor Class	33,653,229	28,642,026	17,127,986	657,028,709
Total capital share transactions	213,547,235	127,399,030	(735,715,231)	1,283,245,291
Net increase (decrease) in net assets	201,378,493	124,153,161	(1,895,926,857)	1,610,898,450
Net assets:				
Beginning of period	886,853,956	762,700,795	10,162,943,911	8,552,045,461
End of period	\$1,088,232,449	\$886,853,956	\$ 8,267,017,054	\$10,162,943,911
Undistributed net investment income (distributions in excess of net investment income) included in net assets:				
End of period	\$ (245,208)	\$ (181,749)	\$ 27,831,059	\$ 13,085,048

Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin Tax-Free In		Franklin Massachusetts Tax-Free Income Fund		
	Six Months Ended August 31, 2013 (unaudited)	Year Ended February 28, 2013	Six Months Ended August 31, 2013 (unaudited)	Year Ended February 28, 2013	
Increase (decrease) in net assets:		<u> </u>	<u> </u>		
Operations: Net investment income	\$ 52,611,757	\$ 105,630,507	\$ 10,085,299	\$ 20,339,723	
Net realized gain (loss) from	\$ 52,611,757	\$ 100,650,007	\$ 10,065,299	\$ 20,339,723	
investments	(18,418,462)	3,615,685	(4,764,823)	640,578	
Net change in unrealized appreciation	(,,,	2,220,000	(,, , , , , , , , , , , , , , , , , ,	,	
(depreciation) on investments	(233,480,787)	54,308,712	(57,356,522)	6,037,387	
Net increase (decrease) in net assets					
resulting from operations	(199,287,492)	163,554,904	(52,036,046)	27,017,688	
Distributions to shareholders from:					
Net investment income: Class A	(41,379,035)	(84,815,152)	(8,164,131)	(17,387,048)	
Class B	(41,379,033)	(82,993)	(8,104,131)	(17,367,046)	
Class C	(7,087,741)	(14,582,915)	(1,115,486)	(2,562,148)	
Advisor Class	(1,174,482)	(2,420,673)	(141,857)	(297,368)	
Total distributions to shareholders	(49,641,258)	(101,901,733)	(9,421,474)	(20,246,564)	
Capital share transactions: (Note 2)				_	
Class A	(336,605,483)	189,708,717	(20,105,249)	58,576,613	
Class B	(383,713)	(4,941,731)	_	_	
Class C	(122,829,813)	81,290,584	(9,987,542)	5,004,542	
Advisor Class	(14,935,595)	8,850,078	(1,693,882)	1,303,160	
Total capital share transactions	(474,754,604)	274,907,648	(31,786,673)	64,884,315	
Net increase (decrease) in					
net assets	(723,683,354)	336,560,819	(93,244,193)	71,655,439	
Net assets:					
Beginning of period	3,172,107,308	2,835,546,489	625,225,928	553,570,489	
End of period	\$2,448,423,954	\$3,172,107,308	\$531,981,735	\$625,225,928	
Undistributed net investment income (distributions in excess of net investment income) included in net assets:					
End of period	\$ 3,883,541	\$ 913,042	\$ 485,887	\$ (177,938)	

Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin New Jersey Tax-Free Income Fund	
	Six Months Ended August 31, 2013 (unaudited)	Year Ended February 28, 2013
Increase (decrease) in net assets:		
Operations:	ф 00 410 400	ф го 242 гог
Net investment income	\$ 28,418,428	\$ 59,343,595
Net realized gain (loss) from investments	(12,110,501)	1,708,984
Net change in unrealized appreciation (depreciation) on investments	(138,705,418)	7,935,748
Net increase (decrease) in net assets resulting from operations	(122,397,491)	68,988,327
Distributions to shareholders from: Net investment income:		
Class A	(21,237,311)	(46,166,421)
Class B	_	(101,941)
Class C	(4,593,720)	(9,752,869)
Advisor Class	(1,414,488)	(2,771,024)
Total distributions to shareholders	(27,245,519)	(58,792,255)
Capital share transactions: (Note 2)		
Class A	(119,138,755)	72,426,148
Class B	(519,178)	(5,838,717)
Class C	(30,228,836)	33,241,983
Advisor Class	(4,400,076)	17,324,686
Total capital share transactions	(154,286,845)	117,154,100
Net increase (decrease) in net assets	(303,929,855)	127,350,172
Net assets:	1 604 001 773	1 507 541 000
Beginning of period	1,694,891,558	1,567,541,386
End of period	\$1,390,961,703	\$1,694,891,558
Undistributed net investment income included in net assets:		
End of period	\$ 1,838,022	\$ 665,113

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin 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 twenty-four separate funds, seven of which are included in this report (Funds). The financial statements of the remaining funds in the Trust are presented separately. The classes of shares offered within each of the Funds are indicated below. Effective March 1, 2013, all Class B shares were converted to Class A. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees. The Franklin Double Tax-Free Income Fund and Franklin Insured Tax-Free Income Fund were closed to investors effective August 1, 2012, and March 1, 2013, respectively.

Class A & Advisor Class

Class A, Class C & Advisor Class

Franklin Federal Limited-Term Tax-Free Income Fund Franklin Double Tax-Free Income Fund

Franklin Federal Intermediate-Term Tax-Free Income Fund Franklin High Yield Tax-Free Income Fund Franklin Insured Tax-Free Income Fund Franklin Massachusetts Tax-Free Income Fund Franklin New Jersey 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. 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 marketbased 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.

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

		in Double ncome Fund	Franklin Federal Intermediate-Term Tax-Free Income Fund		
	Shares	Amount	Shares	Amount	
Class A Shares:					
Six Months ended August 31, 2013					
Shares sold	31,541	\$ 360,672	23,989,599	\$ 295,140,972	
Shares issued in reinvestment of					
distributions	896,731	10,225,545	2,027,528	24,787,621	
Shares redeemed	(9,584,864)	(108,071,307)	(37,014,505)	(453,140,171)	
Net increase (decrease)	(8,656,592)	\$ (97,485,090)	(10,997,378)	\$(133,211,578)	
Year ended February 28, 2013					
Shares sold	8,050,013	\$ 98,788,877	58,877,975	\$ 736,979,645	
Shares issued in reinvestment of					
distributions	1,878,579	22,998,696	3,885,211	48,623,360	
Shares redeemed	(12,691,567)	(155,478,878)	(31,682,363)	(396,512,001)	
Net increase (decrease)	(2,762,975)	\$ (33,691,305)	31,080,823	\$ 389,091,004	
Class C Shares:					
Six Months ended August 31, 2013					
Shares sold	16,283	\$ 194,216	5,027,211	\$ 61,951,008	
Shares issued in reinvestment of					
distributions	141,817	1,625,387	348,380	4,270,186	
Shares redeemed	(2,216,522)	(25,499,668)	(8,688,785)	(105,952,123)	
Net increase (decrease)	(2,058,422)	\$ (23,680,065)	(3,313,194)	\$ (39,730,929)	
Year ended February 28, 2013					
Shares sold	1,910,320	\$ 23,525,307	14,101,462	\$ 176,935,848	
Shares issued in reinvestment of					
distributions	296,411	3,644,287	672,638	8,439,116	
Shares redeemed	(2,096,627)	(25,756,047)	(7,245,858)	(90,900,362)	
Net increase (decrease)	110,104	\$ 1,413,547	7,528,242	\$ 94,474,602	

Notes to Financial Statements (unaudited) (continued)

2. Shares of Beneficial Interest (continued)

	Franklin Double Tax-Free Income Fund			Franklin Federal Intermediate-Term Tax-Free Income Fund			
	Shares		Amount	Shares		Amount	
Advisor Class Shares:							
Six Months ended August 31, 2013 Shares sold	85,298	\$	992,442	26,007,881	\$	321,793,532	
Shares issued in reinvestment of distributions	19,096		218,406	1,006,200		12,308,727	
Shares redeemed	(362,963)		(4,125,735)	(18,790,412))	(229,123,522)	
Net increase (decrease)	(258,569)	\$	(2,914,887)	8,223,669		104,978,737	
Year ended February 28, 2013	(200,000)	Ψ_	(2,311,007)	0,220,003		7 10 1,37 0,7 0,7	
Shares sold	509,112	\$	6,250,918	41,915,240	\$	525,907,509	
distributions	42,172		517,077	1,551,365		19,458,915	
Shares redeemed	(464,697)		(5,706,422)	(16,429,638))	(205,991,552)	
Net increase (decrease)	86,587	\$	1,061,573	27,036,967	9	339,374,872	
	Franklir	ı Fed	eral	Fi	rank	lin	
	Limite				gh Y		
	Tax-Free Ir	com	e Fund	Tax-Free	Inc	ome Fund	
	Shares		Amount	Shares		Amount	
Class A Shares:							
Six Months ended August 31, 2013							
Clarate and all	20 000 700	ф Э	1100000	00 740 511	φ		
Shares sold	32,890,722	\$ 34	44,926,209	28,748,511	\$	305,010,615	
Shares issued in reinvestment of		\$ 34		, ,	\$		
Shares issued in reinvestment of distributions	473,484		4,969,792	10,165,689		105,935,717	
Shares issued in reinvestment of distributions	473,484 (16,200,636)	(1	4,969,792 70,001,995)	10,165,689 (96,610,117)	(:	105,935,717 1,002,000,341)	
Shares issued in reinvestment of distributions	473,484	(1	4,969,792	10,165,689		105,935,717	
Shares issued in reinvestment of distributions	473,484 (16,200,636)	(1)	4,969,792 70,001,995)	10,165,689 (96,610,117)	(1	105,935,717 1,002,000,341)	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570	\$ 1° \$ 2°	4,969,792 70,001,995) 79,894,006	10,165,689 (96,610,117) (57,695,917)	(1	105,935,717 1,002,000,341) (591,054,009)	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463	\$ 1	4,969,792 70,001,995) 79,894,006 96,783,110	10,165,689 (96,610,117) (57,695,917) 117,191,241	\$:	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088	\$:	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903)	\$:	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649)	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903)	\$:	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649)	
Shares issued in reinvestment of distributions Shares redeemed Net increase (decrease) Year ended February 28, 2013 Shares sold Shares issued in reinvestment of distributions Shares redeemed Net increase (decrease) Class B Shares:	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903)	\$:	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649)	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903) 42,484,426	\$ \$ 1	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649) 459,155,544	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903) 42,484,426	\$ \$::	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649) 459,155,544 (422,960)	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903) 42,484,426	\$ \$::	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649) 459,155,544 (422,960)	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903) 42,484,426 (38,210) (38,210)	\$ \$ \tag{1}\$	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649) 459,155,544 (422,960) (422,960)	
Shares issued in reinvestment of distributions	473,484 (16,200,636) 17,163,570 28,072,463 976,491 (19,708,181)	\$ 1° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2° \$ 2°	4,969,792 70,001,995) 79,894,006 96,783,110 10,322,488 08,348,594)	10,165,689 (96,610,117) (57,695,917) 117,191,241 19,888,088 (94,594,903) 42,484,426 (38,210) (38,210) 14,330	\$ \$ \tag{1}\$	105,935,717 1,002,000,341) (591,054,009) 1,272,156,105 215,848,088 1,028,848,649) 459,155,544 (422,960) (422,960) 154,571	

Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (continued)

Class C Shares: Six Months ended August 31, 2013 Six Months ended August 31, 2013 Six Fose Sold Six Fose Sold <th< th=""><th></th><th colspan="2">Franklin Federal Limited-Term Tax-Free Income Fund</th><th colspan="3">Franklin High Yield Tax-Free Income Fund</th></th<>		Franklin Federal Limited-Term Tax-Free Income Fund		Franklin High Yield Tax-Free Income Fund			
Six Months ended August 31, 2013 5,698,444 61,702,714 Shares sold 1,846,658 19,543,652 Shares redeemed (23,098,472) (242,612,614) Net increase (decrease) (23,098,472) (242,612,614) Year ended February 28, 2013 30,241,478 332,990,071 Shares issued in reinvestment of distributions 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) (17,415,942) (192,148,851) Net increase (decrease) 5,738,654 60,156,168 47,868,330 \$505,497,618 Shares sold 5,738,654 60,156,168 47,868,330 \$505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 33,653,229 838,276 \$17,127,986 Year ended February 28, 2013 5,682,525 60,047,196 98,738,557 \$1,075,682,446 Shares issued in reinvestm		Shares		Amount	Shares		Amount
Shares sold 5,698,444 61,702,714 Shares issued in reinvestment of distributions 1,846,658 19,543,652 Shares redeemed (23,098,472) (242,612,614) Net increase (decrease) (15,553,370) (161,366,248) Year ended February 28, 2013 30,241,478 332,990,071 Shares sold 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) (17,415,942) (192,148,851) Net increase (decrease) 5,738,654 60,156,168 47,868,330 \$505,497,618 Shares sold 5,738,654 60,156,168 47,868,330 \$505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 33,653,229 838,276 17,127,986 Year ended February 28, 2013 5,682,525 60,047,196 98,738,557 1,075,682,446 Shares issued in reinvestment of distributions <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
distributions 1,846,658 19,543,652 Shares redeemed (23,098,472) (242,612,614) Net increase (decrease) (15,553,370) (161,366,248) Year ended February 28, 2013 30,241,478 \$332,990,071 Shares issued in reinvestment of distributions 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) 16,398,042 180,195,308 Advisor Class Shares: 5,738,654 60,156,168 47,868,330 505,497,618 Shares sold 5,738,654 60,156,168 47,868,330 505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$33,653,229 838,276 \$17,127,986 Year ended February 28, 2013 5,682,525 60,047,196 98,738,557 \$1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738 <td>Shares sold</td> <td></td> <td></td> <td></td> <td>5,698,444</td> <td>\$</td> <td>61,702,714</td>	Shares sold				5,698,444	\$	61,702,714
Net increase (decrease) (15,553,370) \$ (161,366,248) Year ended February 28, 2013 30,241,478 \$ 332,990,071 Shares sold 30,241,478 \$ 332,990,071 Shares issued in reinvestment of distributions 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) 16,398,042 \$ 180,195,308 Advisor Class Shares: 5 5,738,654 \$ 60,156,168 47,868,330 \$ 505,497,618 Shares sold 5,738,654 \$ 60,156,168 47,868,330 \$ 505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 5,682,525 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738					1,846,658		19,543,652
Year ended February 28, 2013 30,241,478 \$ 332,990,071 Shares sold 30,241,478 \$ 332,990,071 Shares issued in reinvestment of distributions 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) 16,398,042 \$ 180,195,308 Advisor Class Shares: Six Months ended August 31, 2013 \$ 5,738,654 \$ 60,156,168 47,868,330 \$ 505,497,618 Shares sold 5,738,654 \$ 60,156,168 47,868,330 \$ 505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 5,682,525 \$ 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738	Shares redeemed				(23,098,472)		(242,612,614)
Shares sold 30,241,478 \$ 332,990,071 Shares issued in reinvestment of distributions 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) 16,398,042 180,195,308 Advisor Class Shares: 5 5,738,654 60,156,168 47,868,330 505,497,618 Shares sold 5,738,654 60,156,168 47,868,330 505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$33,653,229 838,276 \$1,7127,986 Year ended February 28, 2013 5,682,525 60,047,196 98,738,557 \$1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738	Net increase (decrease)				(15,553,370)	\$	(161,366,248)
Shares issued in reinvestment of distributions 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) 16,398,042 \$180,195,308 Advisor Class Shares: 5 5738,654 \$60,156,168 47,868,330 \$505,497,618 Shares sold 5,738,654 \$60,156,168 47,868,330 \$505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$33,653,229 838,276 \$17,127,986 Year ended February 28, 2013 5,682,525 \$60,047,196 98,738,557 \$1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738	Year ended February 28, 2013						
distributions 3,572,506 39,354,088 Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) 16,398,042 \$180,195,308 Advisor Class Shares: Six Months ended August 31, 2013 5,738,654 60,156,168 47,868,330 \$505,497,618 Shares sold 5,738,654 60,156,168 47,868,330 \$505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 33,653,229 838,276 17,127,986 Year ended February 28, 2013 5,682,525 60,047,196 98,738,557 \$1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738	Shares sold				30,241,478	\$	332,990,071
Shares redeemed (17,415,942) (192,148,851) Net increase (decrease) 16,398,042 \$ 180,195,308 Advisor Class Shares: Six Months ended August 31, 2013 47,868,330 \$ 505,497,618 Shares sold 5,738,654 60,156,168 47,868,330 \$ 505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 5,682,525 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738					3,572,506		39,354,088
Advisor Class Shares: Six Months ended August 31, 2013 5,738,654 \$ 60,156,168 47,868,330 \$ 505,497,618 Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 5,682,525 \$ 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738							
Six Months ended August 31, 2013 Shares sold	Net increase (decrease)				16,398,042	\$	180,195,308
Shares sold	Advisor Class Shares:						
Shares issued in reinvestment of distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 Shares sold 5,682,525 \$ 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738	Six Months ended August 31, 2013						
distributions 26,740 280,423 3,459,215 36,111,249 Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 5,682,525 \$ 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738	Shares sold	5,738,654	\$	60,156,168	47,868,330	\$	505,497,618
Shares redeemed (2,548,278) (26,783,362) (50,489,269) (524,480,881) Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 5,682,525 \$ 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738							
Net increase (decrease) 3,217,116 \$ 33,653,229 838,276 \$ 17,127,986 Year ended February 28, 2013 5,682,525 \$ 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738		,		,	, ,		, ,
Year ended February 28, 2013 5,682,525 \$ 60,047,196 98,738,557 \$ 1,075,682,446 Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738					· · · · ·		
Shares sold	Net increase (decrease)	3,217,116	\$	33,653,229	838,276	\$	17,127,986
Shares issued in reinvestment of distributions 49,054 518,287 5,576,041 60,794,738	<i>3</i> ,						
		5,682,525	\$	60,047,196	98,738,557	\$	1,075,682,446
Shares redeemed	distributions	49,054		518,287	5,576,041		60,794,738
	Shares redeemed	(3,022,247)		(31,923,457)	(43,876,353)		(479,448,475)
Net increase (decrease)	Net increase (decrease)	2,709,332	\$	28,642,026	60,438,245	\$	657,028,709

^aEffective March 1, 2013, all Class B shares were converted to Class A.

		klin Insured e Income Fund	Franklin Massachusetts Tax-Free Income Fund		
	Shares	Amount	Shares	Amount	
Class A Shares:					
Six Months ended August 31, 2013					
Shares sold	384,701	\$ 4,692,361	10,670,621	\$ 121,815,813	
Shares issued in reinvestment of					
distributions	2,890,042	35,089,147	565,904	6,558,549	
Shares redeemed	(31,064,156)	(376,386,991)	(12,981,513)	(148,479,611)	
Net increase (decrease)	(27,789,413)	\$(336,605,483)	(1,744,988)	\$ (20,105,249)	
Year ended February 28, 2013					
Shares sold	34,651,244	\$ 435,131,562	9,215,852	\$ 111,754,753	
Shares issued in reinvestment of					
distributions	5,684,089	71,334,192	1,140,462	13,839,315	
Shares redeemed	(25,214,541)	(316,757,037)	(5,530,117)	(67,017,455)	
Net increase (decrease)	15,120,792	\$ 189,708,717	4,826,197	\$ 58,576,613	

Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (continued)

	Franklin Insured Tax-Free Income Fund				Franklin Massachusetts Tax-Free Income Fund		
	Shares		Amount	Shares		Amount	
Class B Shares:							
Six Months ended August 31, 2013 ^a							
Shares redeemed	(30,217)	\$	(383,713)				
Net increase (decrease)	(30,217)	\$	(383,713)				
Year ended February 28, 2013							
Shares sold	4,493	\$	56,906				
Shares issued in reinvestment of	5.006		65 711				
distributions	5,236		65,711				
Shares redeemed	(402,017)	_	(5,064,348)				
Net increase (decrease)	(392,288)	\$	(4,941,731)				
Class C Shares:							
Six Months ended August 31, 2013							
Shares sold	83,932	\$	1,043,897	411,357	\$	4,908,772	
Shares issued in reinvestment of distributions	512,166		6 205 752	80,637		945,090	
Shares redeemed	(10,635,602)	(6,305,753 130,179,463)	(1,362,355)		(15,841,404)	
Net increase (decrease)	-				\$		
Year ended February 28, 2013	(10,039,504)	Φ(122,829,813)	(870,361)	Ψ	(9,987,542)	
Shares sold	11,672,244	d.	148,228,282	1,351,169	\$	16,545,376	
Shares issued in reinvestment of	11,072,244	Φ	140,220,202	1,331,109	Φ	10,545,576	
distributions	1,018,749		12,950,328	178,031		2,181,276	
Shares redeemed	(6,281,177)		(79,888,026)	(1,119,641)		(13,722,110)	
Net increase (decrease)	6,409,816	\$	81,290,584	409,559	\$	5,004,542	
Advisor Class Shares:	-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,,	,		5,55 1,5 1	
Six Months ended August 31, 2013							
Shares sold	397,240	\$	4,827,398	51,182	\$	614,830	
Shares issued in reinvestment of	,	·	, ,	,	·	,	
distributions	79,294		963,741	6,996		81,158	
Shares redeemed	(1,716,904)		(20,726,734)	(209,204)		(2,389,870)	
Net increase (decrease)	(1,240,370)	\$	(14,935,595)	(151,026)	\$	(1,693,882)	
Year ended February 28, 2013							
Shares sold	1,986,587	\$	24,977,555	208,434	\$	2,533,516	
Shares issued in reinvestment of							
distributions	169,857		2,131,281	14,128		171,455	
Shares redeemed	(1,453,112)		(18,258,758)	(115,607)		(1,401,811)	
Net increase (decrease)	703,332	\$	8,850,078	106,955	\$	1,303,160	

^aEffective March 1, 2013, all Class B shares were converted to Class A.

Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (continued)

	Franklin New Jersey Tax-Free Income Fund		
	Shares	Amount	
Class A Shares:			
Six Months ended August 31, 2013 Shares sold	7 759 500	¢ 04.276.460	
Shares sold	7,758,590 1,411,881	\$ 94,376,469 17,131,395	
Shares redeemed	(19,065,735)	(230,646,619)	
Net increase (decrease)	(9,895,264)	\$(119,138,755)	
	(9,893,204)	φ(119,130,733)	
Year ended February 28, 2013 Shares sold	16,131,145	\$ 203,251,854	
Shares issued in reinvestment of distributions	2,962,022	37,359,189	
Shares redeemed	(13,333,352)	(168,184,895)	
Net increase (decrease)	5,759,815	\$ 72,426,148	
Class B Shares:	0,703,010	Ψ 72,120,110	
Six Months ended August 31, 2013 ^a			
Shares redeemed	(40,834)	\$ (519,178)	
Net increase (decrease)	(40,834)	\$ (519,178)	
Year ended February 28, 2013	(10,001)	Ψ (010,170)	
Shares sold	2,862	\$ 36,059	
Shares issued in reinvestment of distributions	6,542	82,792	
Shares redeemed	(469,931)	(5,957,568)	
Net increase (decrease)	(460,527)	\$ (5,838,717)	
Class C Shares:		· · · · · · · · · · · · · · · · · · ·	
Six Months ended August 31, 2013			
Shares sold	1,495,131	\$ 18,623,161	
Shares issued in reinvestment of distributions	300,825	3,689,105	
Shares redeemed	(4,302,498)	(52,541,102)	
Net increase (decrease)	(2,506,542)	\$ (30,228,836)	
Year ended February 28, 2013			
Shares sold	4,958,487	\$ 63,184,424	
Shares issued in reinvestment of distributions	618,252	7,879,435	
Shares redeemed	(2,967,796)	(37,821,876)	
Net increase (decrease)	2,608,943	\$ 33,241,983	
Advisor Class Shares:			
Six Months ended August 31, 2013	010 710	Φ 0.005.000	
Shares sold	812,719	\$ 9,885,933	
Shares issued in reinvestment of distributions	79,964	970,566	
Shares redeemed	(1,257,091)	(15,256,575)	
Net increase (decrease)	(364,408)	\$ (4,400,076)	
Year ended February 28, 2013	2 677 201	ф ээ 701 111	
Shares sold	2,677,391 155,901	\$ 33,781,111 1,967,288	
Shares redeemed	(1,460,868)	(18,423,713)	
Net increase (decrease)	1,372,424	\$ 17,324,686	
	1,0,2,724	Ψ 17,024,000	

^aEffective March 1, 2013, all Class B shares were converted to Class A.

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 Trust 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 Funds, except the Franklin Federal Limited-Term Tax-Free Income Fund, pay an investment management fee to Advisers based on the month-end net assets of each of the funds 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

The Franklin Federal Limited-Term Tax-Free Income 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
0.700%	Up to and including \$100 million
0.650%	Over \$100 million, up to and including \$250 million
0.625%	Over \$250 million, up to and including \$500 million
0.600%	In excess of \$500 million

Effective May 1, 2013, the Franklin Federal Limited-Term Tax-Free Income Fund combined its investment management and administration agreements as approved by the Board. The fees paid under the combined agreement do not exceed the aggregate fees that were paid under the separate agreements.

Prior to May 1, 2013, the Franklin Federal Limited-Term Tax-Free Income Fund paid fees to Advisers based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.500%	Up to and including \$100 million
0.450%	Over \$100 million, up to and including \$250 million
0.425%	Over \$250 million, up to and including \$500 million
0.400%	In excess of \$500 million

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates (continued)

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.

Prior to May 1, 2013, the Franklin Federal Limited-Term Tax-Free Income Fund paid administrative fees to FT Services of 0.20% per year of its average daily net assets.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the 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. 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 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 Double Tax-Free Income Fund	Franklin Federal Intermediate- Term Tax-Free Income Fund	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund
Reimbursement Plans: Class A	0.10%	0.10%	0.15%	0.10%
Compensation Plans: Class C	0.65%	0.65%	_	0.65%
	Franklin Insured Tax-Free Income Fund	Franklin Massachusetts Tax-Free Income Fund	Franklin New Jersey Tax-Free Income Fund	
Reimbursement Plans: Class A	0.10%	0.10%	0.10%	
Compensation Plans: Class C	0.65%	0.65%	0.65%	

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates (continued)

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the 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 Double Tax-Free Income Fund	Franklin Federal Intermediate- Term Tax-Free Income Fund	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	\$ — \$ 8,807	\$206,131 \$173,189	\$105,325 \$ 51,607	\$568,076 \$241,095
	Franklin Insured Tax-Free Income Fund	Franklin Massachusetts Tax-Free Income Fund	Franklin New Jersey Tax-Free Income Fund	
Sales charges retained net of commissions paid to unaffiliated broker/dealers CDSC retained	\$ 1,749 \$117,329	\$ 17,336 \$ 18,193	\$101,993 \$ 89,996	

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 August 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 Double Tax-Free Income Fund	Franklin Federal Intermediate- Term Tax-Free Income Fund	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund
Transfer agent fees	\$ 72,282	\$353,900	\$ 54,091	\$972,748
	Franklin Insured Tax-Free Income Fund	Franklin Massachusetts Tax-Free Income Fund	Franklin New Jersey Tax-Free Income Fund	
Transfer agent fees	\$244,181	\$ 47,525	\$135,900	

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates (continued)

f. Waiver and Expense Reimbursements

FT Services and Advisers have contractually agreed in advance to waive or limit their respective fees and to assume as their own expense certain expenses otherwise payable by the Franklin Limited-Term Tax-Free Income Fund so that the expenses (excluding distribution fees, and acquired fund fees and expenses) for each class of the Fund do not exceed 0.45% (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until June 30, 2014.

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 February 28, 2013, the capital loss carryforwards were as follows:

	Franklin Double Tax-Free Income Fund	Franklin Federal Intermediate- Term Tax-Free Income Fund	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund
Capital loss carryforwards subject to expiration:				
2014 2015	\$ 152,458 134,018	\$ 213,358 361,303	\$ 322,208 321,499	\$ 7,711,279 —
2016 2017	503,897 944,001	1,114,337 6,237,620	17,957 —	62,972,830 15,478,643
2018	2,690,894	223,211	567	53,451,410
2019 Capital loss carryforwards not subject to expiration:	853,373	1,793,931	_	583,369
Short term	422,414 1,048,381	14,335,781	— 441,666	19,007,172 142,740,965
Total capital loss carryforwards	\$ 6,749,436	\$24,279,541	\$1,103,897	\$301,945,668
	Franklin Insured Tax-Free Income Fund	Franklin Massachusetts Tax-Free Income Fund	Franklin New Jersey Tax-Free Income Fund	
Capital loss carryforwards subject to expiration:				
2017 2018	\$ 36,012 5,518,185	\$ <u> </u>	\$ — —	
Capital loss carryforwards not subject to expiration:	2,210,100			
Short term	11,474,571 1,404,601	2,922,814 88,475	1,436,504 —	
Total capital loss carryforwards	\$18,433,369	\$ 3,011,289	\$1,436,504	

Notes to Financial Statements (unaudited) (continued)

4. INCOME TAXES (continued)

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

		Franklin Double Tax-Free ncome Fund	1	Franklin Federal Intermediate- Ferm Tax-Free Income Fund		Franklin Federal .imited-Term Tax-Free ncome Fund		Franklin High Yield Tax-Free Income Fund
Cost of investments	\$	556,704,289	\$3	3,511,591,989	\$1	,067,990,108	\$8	3,172,660,366
Unrealized appreciation Unrealized depreciation	\$	5,899,957 (78,926,089)	\$	132,923,995 (85,337,955)	\$	15,216,940 (4,189,187)	\$	380,438,566 (480,862,651)
Net unrealized appreciation (depreciation)	\$	(73,026,132)	\$	47,586,040	\$	11,027,753	\$	(100,424,085)
		Franklin		Franklin		Franklin		
		Insured Tax-Free	V	/lassachusetts Tax-Free		New Jersey Tax-Free		
	1	ncome Fund		Income Fund		ncome Fund		
Cost of investments	\$2	,435,505,638	\$	538,082,367	\$1	,392,891,418		
Unrealized appreciation Unrealized depreciation	\$	44,786,151 (82,427,437)	\$	5,525,971 (25,482,070)	\$	29,475,877 (62,400,192)		
Net unrealized appreciation (depreciation)	\$	(37,641,286)	\$	(19,956,099)	\$	(32,924,315)		

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

5. INVESTMENT TRANSACTIONS

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

	Franklin Double Tax-Free Income Fund	Franklin Federal Intermediate- Term Tax-Free Income Fund	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund
Purchases	\$ 29,089,362 \$132,869,451	\$338,856,999 \$128,326,072	\$270,057,057 \$ 86,131,256	\$1,015,929,375 \$1,625,370,819
	Franklin Insured Tax-Free Income Fund	Franklin Massachusetts Tax-Free Income Fund	Franklin New Jersey Tax-Free Income Fund	
Purchases	\$ 20,531,117 \$324,229,075	\$ 22,463,290 \$ 59,294,821	\$ 90,416,762 \$215,010,270	

Notes to Financial Statements (unaudited) (continued)

6. CREDIT RISK AND DEFAULTED SECURITIES

At August 31, 2013, the Franklin High Yield Tax-Free Income Fund had 15.70% of its portfolio invested in high yield securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Franklin High Yield Tax-Free Income Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At August 31, 2013, the aggregate value of these securities was \$17,124,476, representing 0.21% of the fund's net assets. The fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified on the accompanying Statement of Investments.

7. CONCENTRATION OF RISK

The Franklin Double Tax-Free Income Fund, Franklin Massachusetts Tax-Free Income Fund and Franklin New Jersey Tax-Free Income Fund invest a large percentage of their total assets in obligations of issuers within their respective state and U.S. territories. Such concentration may subject the funds to risks associated with industrial or regional matters, and economic, political or legal developments occurring within those states and U.S. territories. 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 Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$1.5 billion (Global Credit Facility) which matures on January 17, 2014. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the 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 August 31, 2013, the Funds did not use the Global Credit Facility.

Notes to Financial Statements (unaudited) (continued)

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 inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

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

10. New Accounting Pronouncements

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

Notes to Financial Statements (unaudited) (continued)

ABBREVIATIONS

Selected Portfolio

1915 Act - Improvement Bond Act of 1915

ABAG - The Association of Bay Area Governments ACA - American Capital Access Holdings Inc. **ACES** - Adjustable Convertible Exempt Security

AD - Assessment District

AGMC - Assured Guaranty Municipal Corp.

AMBAC - American Municipal Bond Assurance Corp.

BAN - Bond Anticipation Note

BHAC - Berkshire Hathaway Assurance Corp. CDA - Community Development Authority/Agency

CDD - Community Development District CDR - Community Development Revenue **CFD** - Community Facilities District **CIFG** - CDC IXIS Financial Guaranty COP - Certificate of Participation

CRDA - Community Redevelopment Authority/Agency

CSD - Central School District

EDA - Economic Development Authority **EDC** - Economic Development Corp. **EDR** - Economic Development Revenue

ETM - Escrow to Maturity

FGIC - Financial Guaranty Insurance Co. **FHA** - Federal Housing Authority/Agency **FHLMC** - Federal Home Loan Mortgage Corp.

FICO - Financing Corp.

FNMA - Federal National Mortgage Association

FRN - Floating Rate Note

GARB - General Airport Revenue Bonds

GO - General Obligation

HDA - Housing Development Authority/Agency

HDC - Housing Development Corp. **HFA** - Housing Finance Authority/Agency **HFAR** - Housing Finance Authority Revenue

HFC - Housing Finance Corp. ID - Improvement District

IDA - Industrial Development Authority/Agency **IDAR** - Industrial Development Authority Revenue IDB - Industrial Development Bond/Board **IDBR** - Industrial Development Board Revenue IDR - Industrial Development Revenue

ISD - Independent School District MAC - Municipal Assistance Corp. **MFHR** - Multi-Family Housing Revenue MFMR - Multi-Family Mortgage Revenue

MFR - Multi-Family Revenue

MTA - Metropolitan Transit Authority

NATL National Public Financial Guarantee Corp.

NATL RE - National Public Financial Guarantee Corp. Reinsured

PBA - Public Building Authority PCC - Pollution Control Corp.

PCFA - Pollution Control Financing Authority

PCR - Pollution Control Revenue PFA - Public Financing Authority

- Public Financing Authority Revenue **PFAR**

PSF - Permanent School Fund PUD - Public Utility District

RDA - Redevelopment Agency/Authority

SF - Single Family

SFHR - Single Family Housing Revenue SFMR - Single Family Mortgage Revenue UHSD - Unified/Union High School District USD - Unified/Union School 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. 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. To ensure the highest quality of service, we may monitor, record and access telephone calls to or from our service departments. These calls can be identified by the presence of a regular beeping tone.

VALUE

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

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

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

GLOBAL

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

INTERNATIONAL

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

HYBRID

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

ASSET ALLOCATION

Franklin LifeSmart™ Retirement Target Funds $(2015-2050)^5$

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 Fund⁶ Franklin Floating Rate Daily Access Fund Franklin Global Government Bond Fund Franklin High Income Fund Franklin Limited Maturity U.S. Government Securities Fund⁶

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 Fund⁶ Templeton Constrained Bond Fund

Templeton Emerging Markets Bond Fund

Templeton Global Bond Fund Templeton Global Total Return Fund

Templeton International Bond Fund

TAX-FREE INCOME⁷

National

Double Tax-Free Income Fund8 Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund9, 10

Limited-/Intermediate-Term

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

State-Specific

Alabama	Kentucky	New York
Arizona	Louisiana	(2 funds)
California	Maryland	North Carolina
(4 funds)10	Massachusetts	Ohio
Colorado	Michigan	Oregon
Connecticut	Minnesota	Pennsylvania
Florida	Missouri	Tennessee
Georgia	New Jersey	Virginia

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹¹

- 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 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
- 5. 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.
- 6. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
- 7. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
- 8. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 9. The fund invests primarily in insured municipal securities.
- 10. Effective at the close of market 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).
- 11. 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 | ASSET ALLOCATION | FIXED INCOME | TAX-FREE INCOME



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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.