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FRANKLIN UNIVERSAL TRUST  
Form N-CSRS  
April 30, 2007

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

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05569  
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FRANKLIN UNIVERSAL TRUST  
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(Exact name of registrant as specified in charter)

ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906  
-----

(Address of principal executive offices) (Zip code)

CRAIG S. TYLE, ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: (650) 312-2000  
-----

Date of fiscal year end: 8/31  
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Date of reporting period: 2/28/07  
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ITEM 1. REPORTS TO STOCKHOLDERS.

[GRAPHIC OMITTED]

FEBRUARY 28, 2007

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-----  
SEMIANNUAL REPORT

INCOME

FRANKLIN UNIVERSAL TRUST  
-----

[LOGO] (R)  
FRANKLIN TEMPLETON  
INVESTMENTS

FRANKLIN o Templeton o Mutual Series

FRANKLIN TEMPLETON INVESTMENTS

GAIN FROM OUR PERSPECTIVE (R)

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Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups-- Franklin, Templeton and Mutual Series.

## SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

FRANKLIN. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

TEMPLETON. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

MUTUAL SERIES. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

## TRUE DIVERSIFICATION

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

## RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we seek to consistently provide investors with exceptional risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

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MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATE ACCOUNTS  
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[GRAPHIC OMITTED]

Not part of the semiannual report

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Semiannual Report

Franklin Universal Trust

YOUR FUND'S GOALS AND MAIN INVESTMENTS: Franklin Universal Trust's primary investment objective is to provide high, current income consistent with preservation of capital. Its secondary objective is growth of income through dividend increases and capital appreciation.

PORTFOLIO BREAKDOWN

Based on Total Investments\*  
2/28/07

Corporate Bonds	66.1%
Utilities Common Stocks	30.4%
Foreign Government U.S. Dollar-Denominated Bonds	1.5%
Natural Resources Common Stocks	0.9%
Foreign Government & Agency Securities	0.1%
Miscellaneous Common Stocks	0.0%**
Cash & Other Net Assets	1.0%

\* Percentage of total investments of the Fund. Total investments of the Fund include long-term and short-term investments and other net assets, excluding long-term debt issued by the Fund.

\*\* Rounds to less than 0.1% of total investments.

Dear Shareholder:

We are pleased to bring you Franklin Universal Trust's semiannual report for the period ended February 28, 2007.

PERFORMANCE OVERVIEW

For the six months under review, the Fund's cumulative total returns were +11.94% based on change in net asset value and +11.42% based on change in market price on the New York Stock Exchange, as shown in the Performance Summary on page 5. For comparison, the Credit Suisse (CS) High Yield Index returned +8.62%,

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and utilities stocks, as measured by the Standard & Poor's (S&P) 500 Electric Utilities Index, returned +12.68% for the period ended February 28, 2007. 1

### ECONOMIC AND MARKET OVERVIEW

U.S. economic growth slowed in the third quarter of 2006 and then picked up somewhat in the fourth quarter. Overall, several factors contributed to real

1. Sources: Credit Suisse; Standard & Poor's Micropal. The CS High Yield Index is designed to mirror the investible universe of the U.S. dollar denominated high yield debt market. The S&P 500 Electric Utilities Index is a market capitalization-weighted index that includes electric utility stocks in the S&P 500. The indexes are unmanaged and include reinvestment of any income or distributions. One cannot invest directly in an index, nor is an index representative of the Fund's portfolio.

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 11.

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### TOP 10 HOLDINGS

Based on Total Investments\*  
2/28/07 vs. 8/31/06

-----  
2/28/07

FPL Group Inc.	2.8%
Exelon Corp.	2.6%
The Southern Co.	2.3%
Dominion Resources Inc.	2.3%
Entergy Corp.	1.9%
FirstEnergy Corp.	1.8%
Public Service Enterprise Group Inc.	1.8%
Constellation Energy Group	1.7%
CenterPoint Energy Inc.	1.5%
Government of Mexico	1.5%

-----  
8/31/06

Exelon Corp.	2.5%
FPL Group Inc.	2.5%
The Southern Co.	2.3%
Dominion Resources Inc.	2.2%

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FirstEnergy Corp.	1.7%
-----	-----
Government of Mexico	1.6%
-----	-----
Entergy Corp.	1.6%
-----	-----
Duke Energy Corp.	1.5%
-----	-----
Pinnacle West Capital Corp.	1.4%
-----	-----
General Motors/General Motors Acceptance Corp.	1.4%
-----	-----

\* Percentage of total investments of the Fund. Total investments of the Fund include long-term and short-term investments and other net assets, excluding long-term debt issued by the Fund.

growth. An improved labor market and higher personal incomes helped support consumer spending. Although a slowing housing market, reduced business spending and moderate profit growth dampened economic expansion, a decline in imports and increases in exports and government spending contributed to growth in the fourth quarter.

Oil prices started the period at historically high levels, which propped up headline, or overall, inflation earlier in the period. However, oil prices fell in the latter part of the period, partly due to ample supply and easing demand, which allowed inflation to decline by period-end. Core inflation, which excludes food and energy costs, experienced some upward pressure during the third quarter, but dipped during the fourth quarter. February's headline Consumer Price Index (CPI) reported a 12-month rise of 2.4%, while core CPI increased 2.7%. 2

The Federal Reserve Board (Fed) left the federal funds target rate at 5.25% during the period, citing a slowing economy, widespread cooling in the housing market, and the lagging effect of prior tightening. At a January meeting, however, the Fed said there were signs housing was stabilizing and inflation pressures were easing.

The 10-year Treasury note yield declined from 4.74% at the beginning of the period to 4.56% on February 28, 2007. Typically, the intermediate portion of the yield curve generally reflects the markets' expectations of the future direction of inflation. Lower oil prices, in conjunction with relatively stable inflation as well as some concerns about the slowing housing market and its potential effect on the economy, contributed to this decline in interest rates.

### INVESTMENT STRATEGY

We invest primarily in two asset classes: high yield bonds and utility stocks. Within the high yield portion of the portfolio, we use fundamental research to invest in a diversified portfolio of bonds. Within the utility portion of the portfolio, we focus on companies with attractive dividend yields and with a history of increasing their dividends.

2. Source: Bureau of Labor Statistics.

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### MANAGER'S DISCUSSION

During the six-month reporting period, the Fund benefited from positive returns in its primary asset classes. High yield bonds enjoyed a favorable fundamental environment, with continuing economic growth and ample liquidity in the financial markets. These factors led to a below-normal default rate. In addition, technical factors further supported the asset class, as investor demand for high yield bonds exceeded new supply. Utility stocks delivered double-digit returns, as power markets tightened, regulated growth opportunities remained robust and signs of easing inflationary pressures removed fears of drastic interest rate hikes. In addition, many utility companies continued to have strong fundamentals and focus on dividend growth.

### HIGH YIELD CORPORATE BONDS

The Fund's overweighted positions in the pay television (TV), and forest and paper products sectors relative to the CS High Yield Index positively impacted returns. 3 The pay TV sector benefited from increases in broadband subscribers and preliminary success in rolling out Voice over Internet Protocol (VoIP), while retaining core pay TV subscribers. These successes resulted in higher equity valuations, which increased the implied equity cushion for the bonds. The forest and paper products sector benefited as many companies reaped the fruits of extensive cost reduction and capacity rationalization measures undertaken over the past several years. In addition, continued global economic growth resulted in increased demand for such companies' products.

The Fund's performance in the high yield sector was impeded by underweighted positions in the airlines and automotive sectors, which outperformed the index during the period under review.4 Airlines were the top performing sector in the CS High Yield index, as falling fuel prices, increasing fares and potential industry consolidation drove bonds higher. However, the Fund typically does not invest in airlines given their volatile nature, significant industry challenges and the historically low recoveries on the bonds. Automotive sector bonds benefited from enhanced liquidity, as General Motors sold a 51% stake in General Motors Acceptance Corp. and Ford tapped the capital markets to raise funds to execute its cost reduction plans. The Fund held a below-index exposure to the auto sector due to our concerns about future profitability in an environment of intense foreign competition.

3. Pay TV holdings are in the consumer services sector in the SOI. Forest and paper products holdings are in the process industries sector in the SOI.
4. Automotive holdings are in the consumer durables sector in the SOI.

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### UTILITY STOCKS

Utility stocks performed well, as power markets tightened and growing demand for electricity narrowed the surplus of generation capacity. In addition, environmental concerns and reluctance to construct power plants near neighborhoods are hampering efforts to build new capacity, leading to declining reserve levels. This environment benefited power producers in unregulated markets, such as Fund holdings Exelon, Entergy and Public Service Enterprise Group.

In addition, regulated growth opportunities remained robust, particularly in the transmission and distribution space. We believe this could benefit Fund holdings such as NSTAR, The Southern Co. and American Electric Power over the next

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several years. Finally, private equity companies made an offer late in the period to purchase Fund holding TXU at a significant premium to its share price, raising speculation that additional transactions in the sector may follow.

Thank you for your continued participation in Franklin Universal Trust. We look forward to serving your future investment needs.

Sincerely,

[PHOTO OMITTED] /s/ Christopher J. Molumphy

Christopher J. Molumphy, CFA  
Senior Portfolio Manager

[PHOTO OMITTED] /s/ Glenn I. Voyles

Glenn I. Voyles, CFA  
Portfolio Manager

Franklin Universal Trust

THE FOREGOING INFORMATION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF FEBRUARY 28, 2007, THE END OF THE REPORTING PERIOD. THE WAY WE IMPLEMENT OUR MAIN INVESTMENT STRATEGIES AND THE RESULTING PORTFOLIO HOLDINGS MAY CHANGE DEPENDING ON FACTORS SUCH AS MARKET AND ECONOMIC CONDITIONS. THESE OPINIONS MAY NOT BE RELIED UPON AS INVESTMENT ADVICE OR AN OFFER FOR A PARTICULAR SECURITY. THE INFORMATION IS NOT A COMPLETE ANALYSIS OF EVERY ASPECT OF ANY MARKET, COUNTRY, INDUSTRY, SECURITY OR THE FUND. STATEMENTS OF FACT ARE FROM SOURCES CONSIDERED RELIABLE, BUT THE INVESTMENT MANAGER MAKES NO REPRESENTATION OR WARRANTY AS TO THEIR COMPLETENESS OR ACCURACY. ALTHOUGH HISTORICAL PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS, THESE INSIGHTS MAY HELP YOU UNDERSTAND OUR INVESTMENT MANAGEMENT PHILOSOPHY.

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Performance Summary as of 2/28/07

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

### PRICE AND DISTRIBUTION INFORMATION

SYMBOL: FT	CHANGE	2/28/07	8/31/06
Net Asset Value (NAV)	+\$0.61	\$7.70	\$7.09
Market Price (NYSE)	+\$0.51	\$7.03	\$6.52

DISTRIBUTIONS (9/1/06-2/28/07)

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Dividend Income \$0.2280

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### PERFORMANCE

	6-MONTH	1-YEAR	5-YEAR	10-YEAR
Cumulative Total Return 1				
Based on change in NAV 2	+11.94%	+16.16%	+66.89%	+85.63%
Based on change in market price 3	+11.42%	+20.23%	+25.34%	+89.35%
Average Annual Total Return 1				
Based on change in NAV 2	+11.94%	+16.16%	+10.79%	+6.38%
Based on change in market price 3	+11.42%	+20.23%	+4.62%	+6.59%
Distribution Rate 4	6.49%			

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.

### ENDNOTES

THE RISKS ASSOCIATED WITH HIGHER-YIELDING, LOWER-RATED SECURITIES INCLUDE HIGHER RISK OF DEFAULT AND LOSS OF PRINCIPAL. THESE SECURITIES CARRY A GREATER DEGREE OF CREDIT RISK RELATIVE TO INVESTMENT GRADE SECURITIES. IN ADDITION TO OTHER FACTORS, SECURITIES ISSUED BY UTILITY COMPANIES ARE PARTICULARLY SENSITIVE TO INTEREST RATE MOVEMENTS. THE FUND'S SHARE PRICE AND YIELD WILL BE AFFECTED BY INTEREST RATE MOVEMENTS. SPECIAL RISKS ARE ASSOCIATED WITH FOREIGN INVESTING, INCLUDING CURRENCY VOLATILITY, ECONOMIC INSTABILITY AND POLITICAL DEVELOPMENTS OF COUNTRIES WHERE THE FUND INVESTS. EMERGING MARKETS INVOLVE HEIGHTENED RISKS RELATED TO THE SAME FACTORS, IN ADDITION TO THOSE ASSOCIATED WITH THEIR RELATIVELY SMALL SIZE AND LESSER LIQUIDITY.

1. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Six-month return has not been annualized.
2. Assumes reinvestment of distributions based on net asset value.
3. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.
4. Distribution rate is based on an annualization of the Fund's 3.8 cent per share February dividend and the NYSE closing price of \$7.03 on 2/28/07.



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Important Notice to Shareholders

### SHARE REPURCHASE PROGRAM

The Fund's Board previously authorized an open-market share repurchase program, pursuant to which the Fund may purchase Fund shares, from time to time, up to 10% of the Fund's common shares in open-market transactions, at the discretion of management. This authorization remains in effect.

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### Dividend Reinvestment and Cash Purchase Plan

The Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan") offers you a prompt and simple way to reinvest dividends and capital gain distributions in shares of the Fund. The Plan also allows you to purchase additional shares of the Fund by making voluntary cash payments. PFPC Inc. (the "Plan Agent"), P.O. Box 9223, Chelsea, MA 02150-9223, acts as your Plan Agent in administering the Plan. The complete Terms and Conditions of the Dividend Reinvestment and Cash Purchase Plan are contained in the Fund's Dividend Reinvestment and Cash Purchase Plan Brochure. A copy of that Brochure may be obtained from the Fund at the address on the back cover of this report.

You are automatically enrolled in the Plan unless you elect to receive dividends or distributions in cash. If you own shares in your own name, you should notify the Plan Agent, in writing, if you wish to receive dividends or distributions in cash.

If the Fund declares a dividend or capital gain distribution payable either in cash or in stock of the Fund and the market price of shares on the valuation date equals or exceeds the net asset value, the Fund will issue new shares to you at the higher of net asset value or 95% of the then current market price. Whenever the Fund declares a distribution from capital gains or an income dividend payable in either cash or shares, if the net asset value per share of the Fund's common stock exceeds the market price per share on the valuation date, the Plan Agent shall apply the amount of such dividend or distribution payable to participants to the purchase of shares (less their pro rata share of brokerage commissions incurred with respect to open market purchases in connection with the reinvestment of such dividend or distribution). If the price exceeds the net asset value before the Plan Agent has completed its purchases, the average purchase price may exceed the net asset value, resulting in fewer shares being acquired than if the Fund had issued new shares. All reinvestments are in full and fractional shares, carried to three decimal places. The Fund will not issue shares under the Plan at a price below net asset value.

The Plan permits you on a voluntary basis to submit in cash payments of not less than \$100 each up to a total of \$5,000 per month to purchase additional shares of the Fund. It is entirely up to you whether you wish to buy additional shares with voluntary cash payments, and you do not have to send in the same amount each time if you do. These payments should be made by check or money order payable to PFPC Inc. and sent to PFPC Inc., Attn: Franklin Universal Trust, P.O. Box 9223, Chelsea, MA 02150-9223.

Your cash payment will be aggregated with the payments of other participants and invested on your behalf by the Plan Agent in shares of the Fund that are purchased in the open market.

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The Plan Agent will invest cash payments on approximately the 5th of each month in which no dividend or distribution is payable and, during each month in which a dividend or distribution is payable, will invest cash payments beginning on the dividend payment date. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON YOUR FUNDS HELD BY THE PLAN AGENT. Accordingly, you should send any voluntary cash payments you wish to make shortly before an investment date but in sufficient time to ensure that your payment will reach the Plan Agent not less than two business days before an investment date. Payments received less than two business days before an investment date will be invested during the next month or, if there are more than 30 days until the next investment date, will be returned to you. You may obtain a refund of any cash payment by written notice, if the Plan Agent receives the written notice not less than 48 hours before an investment date.

There is no direct charge to participants for reinvesting dividends and capital gain distributions, since the Plan Agent's fees are paid by the Fund. However, when shares are purchased in the open market, each participant will pay a pro rata portion of any brokerage commissions incurred. The Plan Agent will deduct a \$5.00 service fee from each of your voluntary cash payments.

The automatic reinvestment of dividends and capital gain distributions does not relieve you of any taxes which may be payable on dividends or distributions. In connection with the reinvestment of dividends and capital gain distributions, if the Fund issues new shares, shareholders receiving such shares generally will be treated as having a distribution equal to the market value of the shares received, and if shares are purchased on the open market, shareholders generally will be treated as having received a distribution equal to the cash distribution that would have been paid.

The Fund does not issue new shares in connection with voluntary cash payments. All investments are in full and fractional shares, carried to three decimal places. If the market price exceeds the net asset value at the time the Plan Agent purchases the additional shares, you will receive shares at a price greater than the net asset value.

You will receive a monthly account statement from the Plan Agent showing total dividends and capital gain distributions, date of investment, shares acquired and price per share, and total shares of record held by you and by the Plan Agent for you. You are entitled to vote all shares of record, including shares purchased for you by the Plan Agent, and, if you vote by proxy, your proxy will include all such shares.

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As long as you participate in the Plan, the Plan Agent will hold the shares it has acquired for you in safekeeping, in its name or in the name of its nominee. This convenience provides added protection against loss, theft or inadvertent destruction of certificates. However, you may request that a certificate representing your Plan shares be issued to you.

You may withdraw from the Plan without penalty at any time by notifying the Plan Agent, in writing, at the address above. If you withdraw, you will receive, without charge, stock certificates issued in your name for all full shares. The Plan Agent will convert any fractional shares you hold at the time of your withdrawal to cash at current market price and send you a check for the proceeds.

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If you hold shares in your own name, please address all notices, correspondence, questions, or other communications regarding the Plan to the Plan Agent at the address noted above. If your shares are not held in your name, you should contact your brokerage firm, bank, or other nominee for more information and to determine if your nominee will participate in the Plan on your behalf.

The Fund or the Plan Agent may amend or terminate the Plan. You will receive written notice at least 90 days before the effective date of termination or of any amendment. In the case of termination, you will receive written notice at least 90 days before the record date of any dividend or capital gain distribution by the Fund.

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Franklin Universal Trust

### FINANCIAL HIGHLIGHTS

	SIX MONTHS ENDED FEBRUARY 28, 2007 (UNAUDITED)	2006	2005	YEAR END
<b>PER SHARE OPERATING PERFORMANCE</b> (for a share outstanding throughout the period)				
Net asset value, beginning of period .....	\$ 7.09	\$ 7.12	\$ 6.48	\$
Income from investment operations a:				
Net investment income b .....	0.23	0.45	0.45	
Net realized and unrealized gains (losses) ...	0.58	(0.05)	0.59	
Total from investment operations .....	0.81	0.40	1.04	
Capital share repurchases .....	0.03	0.01	--	
Less distributions from net investment income .	(0.23)	(0.44)	(0.40)	
Net asset value, end of period .....	\$ 7.70	\$ 7.09	\$ 7.12	\$
Market value, end of period c .....	\$ 7.03	\$ 6.52	\$ 6.22	\$
Total return (based on market value per share)	11.42%	12.48%	17.49%	
<b>RATIOS/SUPPLEMENTAL DATA</b>				
Net assets, end of period (000's) .....	\$206,486	\$194,724	\$198,861	\$18
Ratios to average net assets:				

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Expenses .....	2.27% d,e	2.27% e	2.32% e	
Net investment income .....	6.30% d	6.47%	6.49%	
Portfolio turnover rate .....	12.86%	32.95%	34.60%	
Total debt outstanding at end of period (000's)	\$ 55,000	\$ 55,000	\$ 55,000	\$ 5
Asset coverage per \$1,000 of debt .....	\$ 4,754	\$ 4,540	\$ 4,616	\$
Average amount of senior fixed rate notes per share during the period .....	\$ 2.03	\$ 1.97	\$ 1.97	\$

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

b Based on average daily shares outstanding.

c Based on the last sale on the New York Stock Exchange.

d Annualized.

e Benefit of expense reduction rounds to less than 0.01%.

10 | The accompanying notes are an integral part of these financial statements.  
| Semiannual Report

Franklin Universal Trust

STATEMENT OF INVESTMENTS, FEBRUARY 28, 2007 (UNAUDITED)

	COUNTRY	SHARES
-----		
LONG TERM INVESTMENTS 125.3%		
COMMON STOCKS 39.6%		
NON-ENERGY MINERALS 1.1%		
AngloGold Ashanti Ltd., ADR .....	South Africa	30,446
Barrick Gold Corp. ....	Canada	35,800
PRODUCER MANUFACTURING 0.0% a		
b Harvard Industries Inc. ....	United States	109,618
b,c,d VS Holdings Inc. ....	United States	181,875
UTILITIES 38.5%		
Alliant Energy Corp. ....	United States	55,000
Ameren Corp. ....	United States	40,000
American Electric Power Co. Inc. ....	United States	30,000
Atmos Energy Corp. ....	United States	85,000

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CenterPoint Energy Inc. ....	United States	226,600
Constellation Energy Group .....	United States	55,000
Dominion Resources Inc. ....	United States	70,000
DTE Energy Co. ....	United States	45,000
Duke Energy Corp. ....	United States	124,700
Edison International .....	United States	65,000
Energy East Corp. ....	United States	42,000
Entergy Corp. ....	United States	50,500
Exelon Corp. ....	United States	104,000
FirstEnergy Corp. ....	United States	75,000
FPL Group Inc. ....	United States	125,000
NiSource Inc. ....	United States	80,000
NSTAR .....	United States	37,800
Pinnacle West Capital Corp. ....	United States	76,000
Progress Energy Inc. ....	United States	70,000
Public Service Enterprise Group Inc. ....	United States	62,200
The Southern Co. ....	United States	170,000
Spectra Energy Corp. ....	United States	62,350
TXU Corp. ....	United States	24,000

TOTAL COMMON STOCKS (COST \$52,124,461) .....

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PRINCIPAL  
AMOUNT e  
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CORPORATE BONDS 83.6%		
COMMERCIAL SERVICES 9.2%		
f ARAMARK Corp., senior note, B, 144A, 8.50%, 2/01/15 .....	United States	1,200,000
Corrections Corp. of America, senior note, 7.50%, 5/01/11	United States	1,500,000
Dex Media West LLC, senior sub. note, 9.875%, 8/15/13 ....	United States	2,342,000
Iron Mountain Inc., senior sub. note, 8.75%, 7/15/18 .....	United States	2,400,000
JohnsonDiversey Inc., senior sub. note, B, 9.625%, 5/15/12	United States	2,500,000
Lamar Media Corp., senior sub. note, 6.625%, 8/15/15 .....	United States	2,500,000

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, FEBRUARY 28, 2007 (UNAUDITED) (CONTINUED)

-----  
COUNTRY  
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LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
COMMERCIAL SERVICES (CONTINUED)		
R.H. Donnelley Corp., senior note, 8.875%, 1/15/16 .....	United States	

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f Rental Service Corp., senior note, 144A, 9.50%, 12/01/14 .....	United States
United Rentals North America Inc., senior sub. note, 7.75%, 11/15/13 .....	United States
COMMUNICATIONS 8.5%	
f Digicel Group Ltd., senior note, 144A, 8.875%, 1/15/15 .....	Jamaica
Dobson Cellular Systems Inc., senior secured note, 9.875%, 11/01/12 .....	United States
Inmarsat Finance II PLC, senior note, zero cpn. to 11/15/08, 10.375% thereafter, 11/15/12 .....	United Kingdom
Intelsat Subsidiary Holding Co. Ltd., senior note, 8.25%, 1/15/13 .....	Bermuda
Millicom International Cellular SA, senior note, 10.00%, 12/01/13 .....	Luxembourg
Qwest Communications International Inc., senior note, 7.50%, 2/15/14 .....	United States
f Wind Acquisition Finance SA, senior note, 144A, 10.75%, 12/01/15 .....	Italy
Windstream Corp., senior note, 8.625%, 8/01/16 .....	United States
CONSUMER DURABLES 6.2%	
Beazer Homes USA Inc., senior note, 8.125%, 6/15/16 .....	United States
Ford Motor Credit Co., 5.625%, 10/01/08 .....	United States
senior note, 9.875%, 8/10/11 .....	United States
General Motors Corp., senior deb., 8.25%, 7/15/23 .....	United States
Jarden Corp., senior sub. note, 7.50%, 5/01/17 .....	United States
Jostens IH Corp., senior sub. note, 7.625%, 10/01/12 .....	United States
KB Home, senior note, 6.25%, 6/15/15 .....	United States
7.25%, 6/15/18 .....	United States
Visant Holding Corp., senior note, 8.75%, 12/01/13 .....	United States
William Lyon Homes Inc., senior note, 7.625%, 12/15/12 .....	United States
CONSUMER NON-DURABLES 3.0%	
Dole Foods Co., senior note, 7.25%, 6/15/10 .....	United States
Reynolds American Inc., senior secured note, 7.625%, 6/01/16 .....	United States
Smithfield Foods Inc., senior note, 7.00%, 8/01/11 .....	United States
7.75%, 5/15/13 .....	United States
Spectrum Brands Inc., senior sub. note, 7.375%, 2/01/15 .....	United States
CONSUMER SERVICES 10.8%	
c,d,g Atherton Franchise Capital, 13.073%, 12/01/08 .....	United States
Cablevision Systems Corp., senior note, B, 8.00%, 4/15/12 .....	United States
CanWest Media Inc., senior sub. note, 8.00%, 9/15/12 .....	Canada

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, FEBRUARY 28, 2007 (UNAUDITED) (CONTINUED)

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	COUNTRY	PRINCIPAL AMOUNT e
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
CONSUMER SERVICES (CONTINUED)		
CCH II LLC, senior note, 10.25%, 9/15/10 .....	United States	2,500,000
DIRECTV Holdings LLC, senior note, 8.375%, 3/15/13 .....	United States	1,283,000
EchoStar DBS Corp., senior note, 7.125%, 2/01/16 .....	United States	2,000,000
LIN Television Corp., senior sub. note, 6.50%, 5/15/13 .....	United States	1,500,000
MGM MIRAGE Inc., senior note, 6.875%, 4/01/16 .....	United States	2,000,000
Quebecor Media Inc., senior note, 7.75%, 3/15/16 .....	Canada	2,000,000
Radio One Inc., senior sub. note, 6.375%, 2/15/13 .....	United States	1,700,000
Royal Caribbean Cruises Ltd., senior note, 8.00%, 5/15/10 .....	United States	1,200,000
6.875%, 12/01/13 .....	United States	800,000
Station Casinos Inc., senior sub. note, 6.50%, 2/01/14 .....	United States	300,000
6.875%, 3/01/16 .....	United States	2,200,000
ELECTRONIC TECHNOLOGY 6.9%		
DRS Technologies Inc., senior sub. note, 7.625%, 2/01/18 .....	United States	1,800,000
f Freescale Semiconductor Inc., senior note, 144A, 8.875%, 12/15/14 .....	United States	2,200,000
L-3 Communications Corp., senior sub. note, 6.375%, 10/15/15 ..	United States	2,500,000
f NXP BV/NXP Funding LLX, 144A, 7.875%, 10/15/14 .....	Netherlands	1,900,000
Sanmina-SCI Corp., senior sub. note, 6.75%, 3/01/13 .....	United States	2,000,000
8.125%, 3/01/16 .....	United States	400,000
Soletron Global Finance Ltd., senior sub. note, 8.00%, 3/15/16	United States	2,000,000
f TransDigm Inc., senior sub. note, 144A, 7.75%, 7/15/14 .....	United States	1,500,000
ENERGY MINERALS 3.5%		
Chesapeake Energy Corp., senior note, 6.25%, 1/15/18 .....	United States	2,500,000
Mariner Energy Inc., senior note, 7.50%, 4/15/13 .....	United States	2,500,000
Pogo Producing Co., senior sub. note, 7.875%, 5/01/13 .....	United States	300,000
6.875%, 10/01/17 .....	United States	2,000,000
FINANCE 1.2%		
GMAC LLC, 6.875%, 8/28/12 .....	United States	2,500,000
HEALTH SERVICES 5.3%		
DaVita Inc., senior sub. note, 7.25%, 3/15/15 .....	United States	2,500,000
HCA Inc., senior note, 6.50%, 2/15/16 .....	United States	1,800,000
f senior secured note, 144A, 9.125%, 11/15/14 .....	United States	1,000,000
Tenet Healthcare Corp., senior note, 7.375%, 2/01/13 .....	United States	3,000,000
Vanguard Health Holding Co. II LLC, senior sub. note, 9.00%, 10/01/14 .....	United States	2,800,000

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, FEBRUARY 28, 2007 (UNAUDITED) (CONTINUED)

	COUNTRY	PRINCIPAL AMOUNT e
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
INDUSTRIAL SERVICES 4.3%		
h Allied Waste North America Inc., senior secured note, 6.875%, 6/01/17 .....	United States	1,100,000
Compagnie Generale de Geophysique-Veritas, senior note, 7.50%, 5/15/15 .....	France	400,000
7.75%, 5/15/17 .....	France	600,000
Copano Energy LLC, senior note, 8.125%, 3/01/16 .....	United States	1,500,000
Hanover Equipment Trust 01, senior secured note, B, 8.75%, 9/01/11 .....	United States	2,000,000
Markwest Energy Partners LP, senior note, 6.875%, 11/01/14 .....	United States	2,000,000
The Williams Cos. Inc., senior note, 7.625%, 7/15/19 .....	United States	300,000
7.875%, 9/01/21 .....	United States	700,000
NON-ENERGY MINERALS 1.4%		
Novelis Inc., senior note, 7.25%, 2/15/15 .....	Canada	1,700,000
f Tube City IMS Corp., senior sub. note, 144A, 9.75%, 2/01/15 .....	United States	1,000,000
PROCESS INDUSTRIES 8.9%		
BCP Crystal Holdings Corp., senior sub. note, 9.625%, 6/15/14 ..	United States	1,785,000
Buckeye Technologies Inc., senior sub. note, 8.00%, 10/15/10 ...	United States	2,000,000
Crown Americas Inc., senior note, 7.75%, 11/15/15 .....	United States	2,500,000
f Huntsman International LLC, senior note, 144A, 7.875%, 11/15/14	United States	2,100,000
JSG Funding PLC, senior sub. note, 7.75%, 4/01/15 .....	Ireland	2,500,000
Lyondell Chemical Co., senior note, 8.00%, 9/15/14 .....	United States	1,200,000
Nalco Co., senior sub. note, 8.875%, 11/15/13 .....	United States	2,000,000
Owens-Brockway Glass Container Inc., senior note, 6.75%, 12/01/14 .....	United States	2,000,000
f Verso Paper Holdings LLC, senior secured note, 144A, 9.125%, 8/01/14 .....	United States	1,500,000
PRODUCER MANUFACTURING 3.2%		
Case New Holland Inc., senior note, 9.25%, 8/01/11 .....	United States	2,500,000
f RBS Global & Rexnord Corp., senior note, 144A, 9.50%, 8/01/14 ..	United States	2,000,000



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TRW Automotive Inc., senior note, 9.375%, 2/15/13 ..... United States 1,701,000

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, FEBRUARY 28, 2007 (UNAUDITED) (CONTINUED)

	COUNTRY	PRINCIPAL AMOUNT
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
REAL ESTATE INVESTMENT TRUST 1.2%		
Host Marriott LP, senior note,		
M, 7.00%, 8/15/12 .....	United States	2,000,000
O, 6.375%, 3/15/15 .....	United States	500,000
RETAIL TRADE 2.6%		
GSC Holdings Corp., senior note, 8.00%, 10/01/12 .....	United States	2,500,000
f Michaels Stores Inc., senior note, 144A, 10.00%, 11/01/14 .....	United States	2,500,000
TECHNOLOGY SERVICES 1.5%		
d, g PSINet Inc.,		
10.50%, 12/01/49 .....	United States	700,000
senior note, 11.00%, 8/01/09 .....	United States	3,250,000
SunGard Data Systems Inc.,		
senior note, 9.125%, 8/15/13 .....	United States	900,000
senior sub. note, 10.25%, 8/15/15 .....	United States	1,900,000
TRANSPORTATION 0.7%		
Great Lakes Dredge & Dock Co., senior sub. note, 7.75%, 12/15/13	United States	1,500,000
UTILITIES 5.2%		
Aquila Inc., senior note, 14.875%, 7/01/12 .....	United States	2,000,000
Dynegy Holdings Inc., senior note, 8.75%, 2/15/12 .....	United States	2,600,000
Midwest Generation LLC, senior secured note, 8.75%, 5/01/34 ....	United States	2,600,000
NRG Energy Inc., senior note, 7.375%,		
2/01/16 .....	United States	1,800,000
1/15/17 .....	United States	700,000
TOTAL CORPORATE BONDS (COST \$170,041,754) .....		

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FOREIGN GOVERNMENT AND AGENCY SECURITIES 2.1%		
GOVERNMENT BONDS 2.1%		
Eskom, E168, 11.00%, 6/01/08 .....	South Africa	2,350,0
Government of Mexico, 11.375%, 9/15/16 .....	Mexico	2,750,0
TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES		
(COST \$3,515,334) .....		
TOTAL LONG TERM INVESTMENTS (COST \$225,681,549) .....		

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, FEBRUARY 28, 2007 (UNAUDITED) (CONTINUED)

	COUNTRY	SHARES	
SHORT TERM INVESTMENT (COST \$8,129) 0.0% a			
MONEY MARKET FUND 0.0% a			
i Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.98% .....	United States	8,129	\$
TOTAL INVESTMENTS (COST \$225,689,678) 125.3% .....			--
NOTES PAYABLE (26.6)% .....			
OTHER ASSETS, LESS LIABILITIES 1.3% .....			--
NET ASSETS 100.0% .....			\$

CURRENCY ABBREVIATIONS

ZAR - South African Rand

SELECTED PORTFOLIO ABBREVIATIONS

ADR - American Depository Receipt

- a Rounds to less than 0.1% of net assets.
- b Non-income producing for the twelve months ended February 28, 2007.
- c See Note 10 regarding restricted securities.
- d Security has been deemed illiquid because it may not be able to be sold within seven days. At February 28, 2007, the aggregate value of these securities was \$29,259, representing 0.01% of net assets.
- e The principal amount is stated in U.S. dollars unless otherwise indicated.
- f Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to

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qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At February 28, 2007, the aggregate value of these securities was \$25,414,125, representing 12.31% of net assets.

- g See Note 9 regarding defaulted securities.
- h See Note 1(c) regarding securities purchased on a when-issued or delayed delivery basis.
- i See Note 8 regarding investments in the Franklin Institutional Fiduciary Trust Money Market Portfolio. The rate shown is the annualized seven-day yield at period end.

16 | The accompanying notes are an integral part of these financial statements.  
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Franklin Universal Trust

### FINANCIAL STATEMENTS

#### STATEMENT OF ASSETS AND LIABILITIES February 28, 2007 (unaudited)

##### Assets:

##### Investments in securities:

Cost - Unaffiliated issuers .....	\$ 225,681,549
Cost - Sweep Money Fund (Note 8) .....	8,129
	-----
Total cost of investments .....	\$ 225,689,678
	-----

Value - Unaffiliated issuers .....	\$ 258,873,314
Value - Sweep Money Fund (Note 8) .....	8,129
	-----

Total value of investments .....	258,881,443
Cash .....	302,275

##### Receivables:

Investment securities sold .....	1,118,303
Dividends and interest .....	3,769,039
Note issuance costs (Note 3) .....	64,443
	-----

Total assets .....	264,135,503
	-----

##### Liabilities:

##### Payables:

Investment securities purchased .....	1,394,819
Affiliates .....	162,914
Distributions to shareholders .....	1,018,620
Senior fixed rate notes (Note 3) .....	55,000,000
Accrued expenses and other liabilities .....	73,645
	-----

Total liabilities .....	57,649,998
	-----

Net assets, at value .....	\$ 206,485,505
	=====

##### Net assets consist of:

Paid-in capital .....	\$ 247,451,025
Undistributed net investment income .....	2,404,776

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Net unrealized appreciation (depreciation) .....	33,191,661
Accumulated net realized gain (loss) .....	(76,561,957)
	-----
Net assets, at value .....	\$ 206,485,505
	=====
Shares outstanding .....	26,805,794
	=====
Net asset value per share .....	\$ 7.70
	=====

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The accompanying notes are an integral part of these financial statements. | 17

Franklin Universal Trust

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS

for the six months ended February 28, 2007 (unaudited)

Investment income:

Dividends:

Unaffiliated issuers .....	\$ 1,337,500
Sweep Money Fund (Note 8) .....	36,654
Interest .....	7,141,827

Total investment income .....	8,515,981
-------------------------------	-----------

Expenses:

Management fees (Note 4a) .....	955,693
Interest expense (Note 3) .....	1,138,500
Transfer agent fees .....	45,854
Custodian fees (Note 5) .....	12,761
Reports to shareholders .....	19,619
Professional fees .....	34,035
Trustees' fees and expenses .....	9,242
Amortization of note issuance costs (Note 3) .....	20,600
Other .....	17,555

Total expenses .....	2,253,859
----------------------	-----------

Expense reductions (Note 5) .....	(1,017)
-----------------------------------	---------

Net expenses .....	2,252,842
--------------------	-----------

Net investment income .....	6,263,139
-----------------------------	-----------

Realized and unrealized gains (losses):

Net realized gain (loss) from:

Investments .....	(2,317,115)
Foreign currency transactions .....	(357)

Net realized gain (loss) .....	(2,317,472)
--------------------------------	-------------

Net change in unrealized appreciation (depreciation) on:

Investments .....	18,403,110
-------------------	------------

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Translation of assets and liabilities denominated in foreign currencies	16
	-----
Net change in unrealized appreciation (depreciation) .....	18,403,126
	-----
Net realized and unrealized gain (loss) .....	16,085,654
	-----
Net increase (decrease) in net assets resulting from operations .....	\$ 22,348,793
	=====

18 | The accompanying notes are an integral part of these financial statements.  
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Franklin Universal Trust

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS

	-----
	SIX MONTH
	FEBRUARY
	(UNAUDITED)
	-----
Increase (decrease) in net assets:	
Operations:	
Net investment income .....	\$ 6
Net realized gain (loss) from investments .....	(2)
Net change in unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies .....	18
	-----
Net increase (decrease) in net assets resulting from operations .....	22
Distribution to shareholders from net investment income .....	(6)
Capital share transactions (Note 2) .....	(4)
	-----
Net increase (decrease) in net assets .....	11
Net assets:	
Beginning of period .....	194
	-----
End of period .....	\$ 206
	=====
Undistributed net investment income included in net assets:	
End of period .....	\$ 2
	=====

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FINANCIAL STATEMENTS (CONTINUED)

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STATEMENT OF CASH FLOWS  
for the six months ended February 28, 2007 (unaudited)

Cash flow from operating activities:	
Dividends and interest received .....	\$
Operating expenses paid .....	
Interest expense paid .....	
Purchases of long-term investments .....	(
Sales and maturities of long-term investments .....	
Net sales of short-term investments .....	
 Cash provided - operating activities .....	==
Cash flow from financing activities:	
Open-market share transactions .....	
Distributions to shareholders .....	
 Cash used - financing activities .....	(
 Net increase (decrease) in cash .....	==
Cash at beginning of period .....	
 Cash at end of period .....	\$

RECONCILIATION OF NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATING ACTIVITIES FOR THE PERIOD ENDED FEBRUARY 28, 2007

Net increase (decrease) in net assets resulting from operating activities .....	\$
Adjustments to reconcile net increase (decrease) in net assets resulting from operating activities to net cash provided by operating activities:	
Amortization of note issuance costs .....	
Amortization income .....	
Reinvested dividends from Sweep Money Fund .....	
Other investment transactions .....	
Increase in dividends and interest receivable .....	
Decrease in other receivables .....	
Increase in other liabilities .....	
Decrease in cost of investments .....	
Increase in unrealized appreciation on investments .....	(
 Net cash provided by operating activities .....	\$

20 | The accompanying notes are an integral part of these financial statements.  
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Franklin Universal Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Universal Trust (the Fund) is registered under the Investment Company

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Act of 1940, as amended, (the 1940 Act) as a diversified, closed-end investment company. The Fund has two classes of securities: senior fixed-rate notes (the Notes) and shares of beneficial interest (the Shares).

The following summarizes the Fund's significant accounting policies.

### A. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Investments in open-end mutual funds are valued at the closing net asset value.

Corporate debt securities and government securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund may utilize independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. The Fund's pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

Foreign securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask prices. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the foreign security is determined.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. The investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depository Receipts,

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Franklin Universal Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. SECURITY VALUATION (CONTINUED)

futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

#### B. FOREIGN CURRENCY TRANSLATION

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Fund's Board of Trustees.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

#### C. SECURITIES PURCHASED ON A WHEN-ISSUED OR DELAYED DELIVERY BASIS

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

#### D. FOREIGN CURRENCY CONTRACTS

When the Fund purchases or sells foreign securities it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)



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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. FOREIGN CURRENCY CONTRACTS (CONTINUED)

at an agreed upon exchange rate on a specified date. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations.

The risks of these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the possible inability of the counterparties to fulfill their obligations under the contracts, which may be in excess of the amount reflected in the Statement of Assets and Liabilities.

#### E. INCOME TAXES

No provision has been made for U.S. income taxes because it is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code and to distribute to shareholders substantially all of its taxable income and net realized gains.

#### F. 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. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States. 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.

#### G. 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.

#### H. GUARANTEES AND INDEMNIFICATIONS

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

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

2. SHARES OF BENEFICIAL INTEREST

At February 28, 2007, there were an unlimited number of shares authorized (\$0.01 par value). In January 2006, the Board of Trustees of the Fund authorized management to implement an open-market share repurchase program pursuant to which the Fund may purchase, from time to time, up to 10% of the Fund's common shares in open market transactions, at the discretion of management. This authorization remains in effect.

Transactions in the Fund's shares were as follows:

	SIX MONTHS ENDED FEBRUARY 28, 2007		YEAR ENDED AUGUST 31, 2006	
	SHARES	AMOUNT	SHARES	AMOUNT
Shares repurchased .....	656,000	\$4,422,178	462,500	\$2,812,500
Weighted average discount of market price to net asset value of shares repurchased .....			8.49%	

3. SENIOR FIXED RATE NOTES

On August 29, 2003, the Fund issued \$55 million principal amount of a new class of five-year senior fixed rate notes. The Notes are general unsecured obligations of the Fund and rank senior to trust shares and all existing or future unsecured indebtedness of the Fund.

The Notes bear interest, payable semi-annually, at the rate of 4.14% per year, to maturity on August 29, 2008. The Fund may prepay the Notes at par at any time; therefore, market value approximates the principal amount of the Notes. The Fund is required to maintain on a monthly basis a specified discounted asset value for its portfolio in compliance with guidelines established by Standard & Poor's Corporation, and is required under the 1940 Act to maintain asset coverage for the Notes of at least 300%. The Fund has met these requirements during the period ended February 28, 2007.

The issuance costs of \$200,000 incurred by the Fund are deferred and amortized on an interest method basis over the term of the Notes.

4. TRANSACTIONS WITH AFFILIATES

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

SUBSIDIARY	AFFILIATION
Franklin Advisers, Inc. (Advisers)	Investment Manager
Franklin Templeton Services, LLC (FT Services)	Administrative Manager

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Franklin Universal Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

4. TRANSACTIONS WITH AFFILIATES (CONTINUED)

A. MANAGEMENT FEES

The Fund pays an investment management fee to Advisers of 0.75% per year of the average weekly managed assets. Managed assets are defined as the Fund's gross asset value minus the sum of accrued liabilities, other than the principal amount of the Notes.

B. ADMINISTRATIVE FEES

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

5. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended February 28, 2007, the custodian fees were reduced as noted in the Statement of Operations.

6. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. At August 31, 2006, the capital loss carryforwards were as follows:

Capital loss carryforwards expiring in:	
2008 .....	\$ 5,088,195
2009 .....	1,167,255
2010 .....	6,827,086
2011 .....	34,372,527
2012 .....	18,676,213
2013 .....	3,246,257
2014 .....	4,662,560
	-----
	\$74,040,093
	=====

For tax purposes, realized currency losses occurring subsequent to October 31, may be deferred and treated as occurring on the first day of the following fiscal year. At August 31, 2006, the Fund deferred realized currency losses of \$175,531.

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Franklin Universal Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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### 6. INCOME TAXES (CONTINUED)

At February 28, 2007, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments .....	\$ 225,916,696
	=====
Unrealized appreciation .....	\$ 42,830,703
Unrealized depreciation .....	(9,865,956)
	-----
Net unrealized appreciation (depreciation)	\$ 32,964,747
	=====

Net investment income and net realized gains (loss) differs for financial statement and tax purposes primarily due to differing treatments of defaulted securities, foreign currency transactions and bond discounts and premiums.

### 7. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended February 28, 2007, aggregated \$32,495,543 and \$36,438,504 respectively.

### 8. INVESTMENTS IN FRANKLIN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund may invest in the Franklin Institutional Fiduciary Trust Money Market Portfolio (the Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

### 9. CREDIT RISK AND DEFAULTED SECURITIES

The Fund has 65.90% of its portfolio invested in below investment grade and comparable quality unrated high yield securities, which tend to be more sensitive to economic conditions than higher rated securities. The risk of loss due to default by the issuer may be significantly greater for the holders of high yielding securities because such securities are generally unsecured and are often subordinated to other creditors of the issuer.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At February 28, 2007, the aggregate value of these securities was \$29,259, representing 0.01% of the Fund's portfolio. 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.

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Franklin Universal Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 10. RESTRICTED SECURITIES

The Fund may invest in securities that are restricted under the Securities Act of 1933 (the 1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in

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private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At February 28, 2007, the Fund held investments in restricted securities, excluding 144A securities deemed to be liquid, valued in accordance with procedures approved by the Fund's Board of Trustees as reflecting fair value, as follows:

PRINCIPAL AMOUNT/ SHARES	ISSUER	ACQUISITION DATE
721,603	Atherton Franchise Capital, 13.073%, 12/01/08 .....	4/28/94
181,875	VS Holdings Inc. ....	12/06/01
TOTAL RESTRICTED SECURITIES (0.01% OF NET ASSETS)		

11. REGULATORY AND LITIGATION MATTERS

As part of various investigations by a number of federal, state, and foreign regulators and governmental entities, including the Securities and Exchange Commission ("SEC"), relating to certain practices in the mutual fund industry, including late trading, market timing and marketing support payments to securities dealers who sell fund shares ("marketing support"), Franklin Resources, Inc. and certain of its subsidiaries (collectively, the "Company"), entered into settlements with certain of those regulators and governmental entities. Specifically, the Company entered into settlements with the SEC, among others, concerning market timing and marketing support.

On June 23, 2006, the SEC approved the proposed plan of distribution for the marketing support settlement, and disbursement of the settlement monies to the designated funds, in accordance with the terms and conditions of that settlement and plan, was completed in September 2006 and was recorded as other income.

The plan of distribution for the market timing settlement is currently under review by the SEC staff. After publication of notice of the plan and a 30-day comment period, the proposed plan of distribution will be submitted to the SEC for approval. Following the SEC's approval of the plan of distribution, with modifications as appropriate, distribution of the settlement monies will begin in accordance with the terms and conditions of the settlement and plan.

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Franklin Universal Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

11. REGULATORY AND LITIGATION MATTERS (CONTINUED)

In addition, the Company, as well as most of the mutual funds within Franklin

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Templeton Investments and certain current or former officers, Company directors, fund directors, and employees, have been named in private lawsuits (styled as shareholder class actions, or as derivative actions on behalf of either the named funds or Franklin Resources, Inc.). The lawsuits relate to the industry practices referenced above, as well as to allegedly excessive commissions and advisory and distribution fees.

The Company and fund management believe that the claims made in each of the private lawsuits referenced above are without merit and intend to defend against them vigorously. The Company cannot predict with certainty the eventual outcome of these lawsuits, nor whether they will have a material negative impact on the Company. If it is determined that the Company bears responsibility for any unlawful or inappropriate conduct that caused losses to the Trust, it is committed to making the Trust or its shareholders whole, as appropriate.

### 12. NEW ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. FIN 48 provides guidance on the measurement, recognition, classification and disclosure of tax positions, along with accounting for the related interest and penalties. FIN 48 is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. On December 22, 2006, the Securities and Exchange Commission extended the implementation date to no later than the last net asset value calculation in the first semi-annual reporting period in 2007. The Fund is currently evaluating the impact, if any, of applying the various provisions of FIN 48.

In September 2006, FASB issued FASB Statement No. 157, "Fair Value Measurement" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Fund believes the adoption of SFAS 157 will have no material impact on its financial statements.

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Franklin Universal Trust

SHAREHOLDER INFORMATION

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT

At a meeting held February 27, 2007, the Board of Trustees ("Board"), including a majority of non-interested or independent Trustees, approved renewal of the investment management agreement for Franklin Universal Trust ("Fund"). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports on the Fund, information on its share price discount to net asset value, and other related financial information, as well as periodic reports on legal, compliance, pricing, brokerage commissions and execution and other services provided by the Investment Manager ("Manager") and its affiliates. Information furnished specifically in connection with the renewal process included a report prepared by Lipper, Inc. ("Lipper"), an independent organization, as well as a

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Fund profitability analysis report prepared by management. The Lipper report compared the Fund's investment performance and expenses with those of other funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis report discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Included with such profitability analysis report was information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates including management's explanation of differences where relevant, and a three-year expense analysis with an explanation for any increase in expense ratios. Additional material accompanying such report was a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Fund by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. In approving continuance of the investment management agreement for the Fund, the Board, including a majority of independent Trustees, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICE. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Fund and its shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished them showing that the investment policies and restrictions for the Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. Favorable consideration was given to management's efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of

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Franklin Universal Trust

SHAREHOLDER INFORMATION (CONTINUED)

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

a natural disaster, it being noted by the Board that such systems and procedures had functioned smoothly during the Florida hurricanes and blackouts experienced in recent years. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm. Consideration was also given to the experience of the Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of the level of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a pre-designated list of funds within such person's fund management area so as to be aligned with the interests of Fund shareholders.

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INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of the Fund in view of its importance to shareholders. Consideration was given to performance reports and discussions with portfolio managers at Board meetings during the year, as well as the Lipper report furnished for the agreement renewals. The Lipper report prepared for the Fund showed its investment performance in comparison with a performance universe consisting of the Fund and all closed-end high current yield funds as selected by Lipper during 2006, as well as the previous ten years ended December 31, 2006. Such report considered both income return and total return on a net asset value basis without regard to market discounts or premiums to accurately reflect investment performance. The Lipper report showed the Fund's income return to be the lowest in such performance universe for the one-year period and on an annualized basis for each of the previous three-, five- and ten-year periods, but that the Fund's total return was in the highest quintile of such universe during 2006 and on an annualized basis was in the highest quintile for the previous three-year period, the lowest quintile for the previous five-year period, and the second-highest quintile for the previous ten-year period. In discussing such performance, management pointed out the Fund's mandate to invest between 20 and 30 percent of its assets in utilities stocks differed from the Lipper performance universe, which consisted of pure high yield funds, and that its relative performance within such universe reflected such difference. The Board was satisfied with the Fund's investment performance in view of such explanation and its overall rate of return.

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fee and total expense ratio of the Fund compared with a Lipper expense group consisting of the Fund and eight other leveraged closed-end high current yield funds as selected by Lipper. Prior to making such comparison, the Board relied upon a survey showing that the scope of services covered under the Fund's investment management agreement was similar to those provided by fund managers to other fund groups. In reviewing comparative costs, emphasis was given to the Fund's contractual investment management fee in comparison with the contractual investment management fee rate that would have been charged by other funds within its Lipper expense group assuming they were the same size as the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis

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Franklin Universal Trust

SHAREHOLDER INFORMATION (CONTINUED)

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

considers administrative fees to be part of investment management fees and showed the Fund's contractual management fee rate was the sixth highest in the Lipper expense group being five basis points above the median for such group. The Lipper report showed the Fund's actual total expenses, however, computed on the bases of both including and excluding investment related expenses and taxes which, according to Lipper primarily relates to leveraging, were the lowest and second lowest, respectively, in its expense group. The Board found such expenses to be acceptable.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board reviewed the Fund profitability analysis



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that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to the Fund. Specific attention was given to the methodology followed in allocating costs to the Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, such allocation methodology was consistent with that followed in profitability report presentations made in prior years and that the Fund's independent registered public accounting firm had been engaged by the Manager to perform certain procedures on a biennial basis, specified and approved by the Manager and the Fund's Board solely for their purposes and use in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary to the type of fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis as compared to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from Fund operations, including potential benefits resulting from allocation of fund brokerage and the use of "soft" commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether the Manager realizes economies of scale as the Fund grows larger and the extent to which any such benefit is shared with the Fund and its shareholders. The Board believed that a manager's ability to realize economies of scale and the sharing of such benefit is a more relevant consideration in the case of an open-end fund whose size increases as a result of the continuous sale of its shares. A closed-end investment company such as the Fund does not continuously offer shares, and growth following its initial public offering will primarily result from market appreciation, which benefits its shareholders. While believing economies

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Franklin Universal Trust

SHAREHOLDER INFORMATION (CONTINUED)

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

of scale to be less of a factor in the context of a closed-end fund, the Board believes at some point an increase in size may lead to economies of scale that should be shared with the Fund and its shareholders and intends to monitor future growth of the Fund accordingly.

PROXY VOTING POLICIES AND PROCEDURES

The Fund has established Proxy Voting Policies and Procedures ("Policies") that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at

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franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at 1-954/527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 500 East Broward Boulevard, Suite 1500, Fort Lauderdale, FL 33394, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

### QUARTERLY STATEMENT OF INVESTMENTS

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling 1-800/SEC-0330.

### CERTIFICATIONS

The Fund's Chief Executive Officer - Finance and Administration is required by the New York Stock Exchange's Listing Standards to file annually with the Exchange a certification that he is not aware of any violation by the Fund of the Exchange's Corporate Governance Standards applicable to the Fund. The Fund has filed such certification.

In addition, the Fund's Chief Executive Officer - Finance and Administration and Chief Financial Officer and Chief Accounting Officer are required by the rules of the U.S. Securities and Exchange Commission to provide certain certifications with respect to the Fund's Form N-CSR and Form N-CSRS (which include the Fund's annual and semiannual reports to shareholders) that are filed semiannually with the Commission. The Fund has filed such certifications with its Form N-CSR for the year ended August 31, 2006. Additionally, the Fund expects to file, on or about April 30, 2007, such certifications with its Form N-CSRS for the six months ended February 28, 2007.

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### Literature Request

LITERATURE REQUEST. TO RECEIVE A BROCHURE AND PROSPECTUS, PLEASE CALL US AT 1-800/DIAL BEN(R) (1-800/342-5236) 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 THE 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.

### FRANKLIN TEMPLETON INVESTMENTS

#### INTERNATIONAL

Mutual European Fund  
Templeton BRIC Fund  
Templeton China World Fund  
Templeton Developing Markets Trust  
Templeton Emerging Markets Small Cap Fund

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Templeton Foreign Fund  
Templeton Foreign Smaller Companies Fund  
Templeton International (Ex EM) Fund 1

### GLOBAL

Mutual Discovery Fund  
Templeton Global Long-Short Fund  
Templeton Global Opportunities Trust  
Templeton Global Smaller Companies Fund  
Templeton Growth Fund  
Templeton World Fund

### GROWTH

Franklin Aggressive Growth Fund  
Franklin Capital Growth Fund  
Franklin Flex Cap Growth Fund  
Franklin Small-Mid Cap Growth Fund  
Franklin Small Cap Growth Fund II 1

### VALUE

Franklin Balance Sheet Investment Fund 2  
Franklin Equity Income Fund  
Franklin Large Cap Value Fund  
Franklin MicroCap Value Fund 2  
Franklin MidCap Value Fund  
Franklin Small Cap Value Fund  
Mutual Beacon Fund  
Mutual Qualified Fund  
Mutual Recovery Fund 3  
Mutual Shares Fund

### BLEND

Franklin Balanced Fund  
Franklin Blue Chip Fund 1  
Franklin Convertible Securities Fund  
Franklin Growth Fund  
Franklin Rising Dividends Fund  
Franklin U.S. Long-Short Fund

### SECTOR

Franklin Biotechnology Discovery Fund  
Franklin DynaTech Fund  
Franklin Global Communications Fund  
Franklin Global Health Care Fund  
Franklin Global Real Estate Fund  
Franklin Gold and Precious Metals Fund  
Franklin Natural Resources Fund  
Franklin Real Estate Securities Fund  
Franklin Technology Fund  
Franklin Utilities Fund  
Mutual Financial Services Fund

### ASSET ALLOCATION

Franklin Templeton Corefolio Allocation Fund  
Franklin Templeton Founding Funds Allocation Fund  
Franklin Templeton Perspectives Allocation Fund

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### TARGET FUNDS

Franklin Templeton Conservative Target Fund  
Franklin Templeton Growth Target Fund  
Franklin Templeton Moderate Target Fund

### RETIREMENT TARGET FUNDS

Franklin Templeton 2015 Retirement Target Fund  
Franklin Templeton 2025 Retirement Target Fund  
Franklin Templeton 2035 Retirement Target Fund  
Franklin Templeton 2045 Retirement Target Fund

### INCOME

Franklin Adjustable U.S. Government  
Securities Fund 4  
Franklin Floating Rate Daily Access Fund  
Franklin High Income Fund 5  
Franklin Income Fund  
Franklin Limited Maturity  
U.S. Government Securities Fund 4  
Franklin Low Duration Total Return Fund  
Franklin Real Return Fund  
Franklin Strategic Income Fund  
Franklin Strategic Mortgage Portfolio  
Franklin Templeton Hard Currency Fund  
Franklin Total Return Fund  
Franklin U.S. Government Securities Fund 4  
Templeton Global Bond Fund  
Templeton Income Fund

### TAX-FREE INCOME 6

### NATIONAL FUNDS

Double Tax-Free Income Fund  
Federal Tax-Free Income Fund  
High Yield Tax-Free Income Fund  
Insured Tax-Free Income Fund 7

### LIMITED-TERM FUNDS

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

### INTERMEDIATE-TERM FUNDS

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

### STATE-SPECIFIC

Alabama	Michigan 7
Arizona	Minnesota 7
California 8	Missouri
Colorado	New Jersey
Connecticut	New York 8
Florida 8	North Carolina

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Georgia	Ohio 7
Kentucky	Oregon
Louisiana	Pennsylvania
Maryland	Tennessee
Massachusetts 7	Virginia

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products  
Trust 9

1. The fund is closed to new investors. Existing shareholders can continue adding to their accounts.
2. The fund is only open to existing shareholders and select retirement plans.
3. 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.
4. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
5. Effective 10/1/06, Franklin's AGE High Income Fund changed its name to Franklin High Income Fund. The fund's investment goal and strategy remained the same.
6. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
7. Portfolio of insured municipal securities.
8. These funds are available in two or more variations, including long-term portfolios, portfolios of insured securities, a high-yield portfolio (CA) and limited-term, intermediate-term and money market portfolios (CA and NY).
9. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

01/07

Not part of the semiannual report

[LOGO] (R)  
FRANKLIN TEMPLETON  
INVESTMENTS

One Franklin Parkway  
San Mateo, CA 94403-1906

SEMIANNUAL REPORT

FRANKLIN UNIVERSAL TRUST

INVESTMENT MANAGER

Franklin Advisers, Inc.  
1-800/DIAL BEN(R)

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TRANSFER AGENT

PFPC Inc.  
P.O. Box 43027  
Providence, RI 02940-3027

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.

FUT S2007 04/07

ITEM 2. CODE OF ETHICS.

(a) The Registrant has adopted a code of ethics that applies to its principal executive officers and principal financial and accounting officer.

(c) N/A

(d) N/A

(f) Pursuant to Item 12(a)(1), the Registrant is attaching as an exhibit a copy of its code of ethics that applies to its principal executive officers and principal financial and accounting officer.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

(a)(1) The Registrant has an audit committee financial expert serving on its audit committee.

(2) The audit committee financial expert is Frank W.T. LaHaye, and he is "independent" as defined under the relevant Securities and Exchange Commission Rules and Releases.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES. N/A

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS. The Members of the Audit Committee are: Robert F. Carlson, Frank W. T. LaHaye and John B. Wilson.

ITEM 6. SCHEDULE OF INVESTMENTS. N/A

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The board of trustees of the Trust has delegated the authority to vote proxies related to the portfolio securities held by the Fund to the Fund's manager Franklin Advisers, Inc. in accordance with the Proxy Voting Policies and Procedures (Policies) adopted by the manager.

The manager has delegated its administrative duties with respect to the voting of proxies to the Proxy Group within Franklin Templeton Companies, LLC (Proxy Group), an affiliate and wholly owned subsidiary of Franklin Resources, Inc. All proxies received by the Proxy Group will be voted based upon the manager's instructions and/or policies.

To assist it in analyzing proxies, the manager subscribes to Institutional Shareholder Services (ISS), an unaffiliated third party corporate governance research service that provides in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping and vote disclosure services. In addition, the manager subscribes to Glass, Lewis & Co., LLC (Glass Lewis), an unaffiliated third party analytical research firm, to receive analyses and vote recommendations on the shareholder meetings of publicly held U.S. companies.

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Although ISS' and/or Glass Lewis' analyses are thoroughly reviewed and considered in making a final voting decision, the manager does not consider recommendations from ISS, Glass Lewis or any other third party to be determinative of the manager's ultimate decision. The manager votes proxies solely in the interests of the Fund and its shareholders. As a matter of policy, the officers, directors/trustees and employees of the Fund, the manager and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of the Fund and its shareholders. Efforts are made to resolve all conflicts in the interests of the manager's clients. Material conflicts of interest are identified by the Proxy Group based upon analyses of client, broker and vendor lists, information periodically gathered from directors and officers, and information derived from other sources, including public filings. In situations where a material conflict of interest is identified, the Proxy Group will refer the matter, along with the recommended course of action by the manager to an interdepartmental Proxy Review Committee (which may include portfolio managers and/or research analysts employed by the manager), for evaluation and voting instructions. The Proxy Review Committee may defer to the voting recommendation of ISS, Glass Lewis or those of another independent third party provider of proxy services; or send the proxy directly to the Fund with a recommendation regarding the vote for approval. Where the Proxy Review Committee refers a matter to the Fund, it may rely upon the instructions of a representative of the Fund, such as the board of trustees or a committee of the board.

The recommendation of management on any issue is a factor which the manager considers in determining how proxies should be voted, but is not determinative of the manager's ultimate decision. As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the company's management. Each issue, however, is considered on its own merits, and the manager will not support the position of the company's management in any situation where it deems that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

**MANAGER'S PROXY VOTING POLICIES AND PRINCIPLES** The manager has adopted general proxy voting guidelines, which are summarized below. These guidelines are not an exhaustive list of all the issues that may arise and the manager cannot anticipate all future situations. In all cases, each proxy will be considered based on the relevant facts and circumstances.

**BOARD OF DIRECTORS.** The manager supports an independent board of directors, and prefers that key committees such as audit, nominating, and compensation committees be comprised of independent directors. The manager will generally vote against management efforts to classify a board and will generally support proposals to declassify the board of directors. The manager may withhold votes from directors who have attended less than 75% of meetings without a valid reason. While generally in favor of separating Chairman and CEO positions, the manager will review this issue as well as proposals to restore or provide for cumulative voting on a case-by-case basis, taking into consideration factors such as the company's corporate governance guidelines or provisions and performance.

**RATIFICATION OF AUDITORS OF PORTFOLIO COMPANIES.** In light of several high profile accounting scandals, the manager will closely scrutinize the role and performance of auditors. On a case-by-case basis, the manager will examine proposals relating to non-audit relationships and non-audit fees. The manager will also consider, on a case-by-case basis, proposals to rotate auditors, and will vote against the ratification of auditors when there is clear and compelling evidence of accounting irregularities or negligence.

**MANAGEMENT AND DIRECTOR COMPENSATION.** A company's equity-based compensation plan should be in alignment with its shareholders' long-term interests. The manager believes that executive compensation should be directly linked to the

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performance of the company. The manager evaluates plans on a case-by-case basis by considering several factors to determine whether the plan is fair and reasonable, including the ISS quantitative model utilized to assess such plans and/or the Glass Lewis evaluation of the plans. The manager will generally oppose plans that have the potential to be excessively dilutive, and will almost always oppose plans that are structured to allow the repricing of underwater options, or plans that have an automatic share replenishment "evergreen" feature. The manager will generally support employee stock option plans in which the purchase price is at least 85% of fair market value, and when potential dilution is 10% or less.

Severance compensation arrangements will be reviewed on a case-by-case basis, although the manager will generally oppose "golden parachutes" that are considered to be excessive. The manager will normally support proposals that require a percentage of directors' compensation to be in the form of common stock, as it aligns their interests with those of shareholders. The manager will review on a case-by-case basis any shareholder proposals to adopt policies on expensing stock option plans.

ANTI-TAKEOVER MECHANISMS AND RELATED ISSUES. The manager generally opposes anti-takeover measures since they tend to reduce shareholder rights. On occasion, the manager may vote with management when the research analyst has concluded that the proposal is not onerous and would not harm the Fund or its shareholders' interests. The manager generally supports proposals that require shareholder rights' plans ("poison pills") to be subject to a shareholder vote and will closely evaluate such plans on a case-by-case basis to determine whether or not they warrant support. The manager will generally vote against any proposal to issue stock that has unequal or subordinate voting rights. The manager generally opposes any supermajority voting requirements as well as the payment of "greenmail." The manager generally supports "fair price" provisions and confidential voting.

CHANGES TO CAPITAL STRUCTURE. The manager will review, on a case-by-case basis, proposals by companies to increase authorized shares and the purpose for the increase and proposals seeking preemptive rights. The manager will generally not vote in favor of dual-class capital structures to increase the number of authorized shares where that class of stock would have superior voting rights. The manager will generally vote in favor of the issuance of preferred stock in cases where the company specifies the voting, dividend, conversion and other rights of such stock and the terms of the preferred stock issuance are deemed reasonable.

MERGERS AND CORPORATE RESTRUCTURING. Mergers and acquisitions will be subject to careful review by the research analyst to determine whether each will be beneficial to shareholders. The manager will analyze various economic and strategic factors in making the final decision on a merger or acquisition. Corporate restructuring and reincorporation proposals are also subject to a thorough examination on a case-by-case basis.

SOCIAL AND CORPORATE POLICY ISSUES. The manager will generally give management discretion with regard to social, environmental and ethical issues, although the manager may vote in favor of those that are believed to have significant economic benefits or implications for the Fund and its shareholders.

GLOBAL CORPORATE GOVERNANCE. Many of the tenets discussed above are applied to proxy voting decisions for international companies. However, the manager must be more flexible in these instances and must be mindful of the varied market practices of each region.

The manager will attempt to process every proxy it receives for all domestic and foreign issuers. However, there may be situations in which the manager cannot process proxies, for example, where a meeting notice was received too late, or



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sell orders preclude the ability to vote. If a security is on loan, the manager may determine that it is not in the best interests of the Fund to recall the security for voting purposes. Also, the manager may abstain from voting under certain circumstances or vote against items such as "Other Business" when the manager is not given adequate information from the company.

Shareholders may view the complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at 1-954-527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 500 East Broward Boulevard, Suite 1500, Fort Lauderdale, FL 33394, Attention: Proxy Group. Copies of the Fund's proxy voting records are available online at [franklintempleton.com](http://franklintempleton.com) and posted on the SEC website at [WWW.SEC.GOV](http://WWW.SEC.GOV) and reflect the 12-month period beginning July 1, 2005, and ending June 30, 2006.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES. N/A

ITEM 9. PURCHASE OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 9/01/06- 9/30/06)	110,200.000	6.53	110,200.000	2,219,729.400
Month #2 (10/01/06- 10/31/06)	171,500.000	6.60	171,500.000	2,048,229.400
Month #3 (11/01/06- 11/30/06)	136,000.000	6.69	136,000.000	1,912,229.400
Month #4 (12/1/06- 12/31/06)	66,200.000	6.92	66,200.000	1,846,029.400
Month #5 (1/1/07- 1/31/07)	134,800.000	6.91	134,800.000	1,711,229.400
Month #6 (2/1/07- 2/28/07)	37,300.000	7.00	37,300.000	1,673,929.400
Total	656,000.000	6.73	656,000.000	11,411,376.400

The repurchase program was announced on January 19, 2006. The Board of Trustees approved an open-market share repurchase program, pursuant to which the Fund may purchase, from time to time, up to 2,792,429 of the Fund's common shares in the open-market transactions, at the discretion of management.

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ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. There have been no changes to the procedures by which shareholders may recommend nominees to the Registrant's Board of Trustees that would require disclosure herein

ITEM 11. CONTROLS AND PROCEDURES.

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Shareholder Report on Form N-CSR, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(B) CHANGES IN INTERNAL CONTROLS. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Shareholder Report on Form N-CSR.

ITEM 12. EXHIBITS.

(a) (1) Code of Ethics

(a) (2) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Jimmy D. Gambill, Chief Executive Officer - Finance and Administration, and Galen G. Vetter, Chief Financial Officer

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Jimmy D. Gambill, Chief Executive Officer - Finance and Administration, and Galen G. Vetter, Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRANKLIN UNIVERSAL TRUST

By /S/JIMMY D. GAMBILL

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Jimmy D. Gambill  
Chief Executive Officer - Finance and Administration  
Date April 26, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

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Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /S/JIMMY D. GAMBILL  
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Jimmy D. Gambill  
Chief Executive Officer - Finance and Administration  
Date April 26, 2007

By /S/GALEN G. VETTER  
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Galen G. Vetter  
Chief Financial Officer  
Date April 26, 2007