

MCGUANE CASEY  
Form 4  
November 04, 2011

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2015  
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
MCGUANE CASEY

(Last) (First) (Middle)

C/O HIGHER ONE HOLDINGS, INC., 25 SCIENCE PARK

(Street)

NEW HAVEN, CT 06511

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
Higher One Holdings, Inc. [ONE]

3. Date of Earliest Transaction (Month/Day/Year)  
11/03/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
Chief Service Officer

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	11/03/2011		M		13,133	A	\$ 0.2
							40,743
Common Stock	11/03/2011		S <sup>(1)</sup>		13,133	D	\$ 16.5
							27,610

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
Stock Option (Right to Buy)	\$ 0.2	11/03/2011		M	13,133	09/12/2005 09/12/2012	Common Stock	13,133

## Reporting Owners

**Reporting Owner Name / Address**

**Relationships**

Director 10% Owner Officer Other

MCGUANE CASEY  
C/O HIGHER ONE HOLDINGS, INC.  
25 SCIENCE PARK  
NEW HAVEN, CT 06511

Chief Service Officer

## Signatures

/s/ Thomas D. Kavanaugh as attorney-in-fact for Casey  
McGuane

11/04/2011

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The sales reported on this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on March 7, 2011.  
The price represents the weighted average sale price of multiple transactions on the reported date at prices between \$16.12 and \$16.92.
- (2) Detailed information regarding the number of shares sold at each separate price will be provided upon request by the Commission staff, the issuer, or a security holder of the issuer.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. s made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at August 31, 2006 by correspondence with the custodian, provide a reasonable basis for our opinion. PricewaterhouseCoopers LLP San Francisco, California October 18, 2006 32 | Annual Report Franklin Universal Trust TAX DESIGNATION (UNAUDITED) Under Section 854(b)(2) of the Internal Revenue Code (Code), the Fund designates 15.44% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended August 31, 2006. Under Section

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854(b)(2) of the Code, the Fund designates the maximum amount allowable but no less than \$2,513,783 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended August 31, 2006. In January 2007, shareholders will receive Form 1099-DIV which will include their share of qualified dividends distributed during the calendar year 2006. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns. Under Section 871(k)(1)(C) of the Code, the Fund designates the maximum amount allowable but no less than \$8,646,926 as interest related dividends for purposes of the tax imposed under Section 871(a)(1)(A) of the Code for the fiscal year ended August 31, 2006. Annual Report 133 Franklin Universal Trust BOARD MEMBERS AND OFFICERS The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Fund, principal occupation during the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member will serve until that person's successor is elected and qualified.

INDEPENDENT BOARD MEMBERS

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NUMBER OF PORTFOLIOS IN NAME, YEAR OF BIRTH LENGTH OF FUND COMPLEX OVERSEEN AND ADDRESS POSITION TIME SERVED BY BOARD MEMBER\* OTHER DIRECTORSHIPS HELD  
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HARRIS J. ASHTON (1932) Trustee Since 1988 143 Director, Bar-S Foods (meat packing One Franklin Parkway company). San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Director of various companies; and FORMERLY, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998). -----

ROBERT F. CARLSON (1928) Trustee Since 2000 59 None One Franklin Parkway San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Vice President, senior member and past President, Board of Administration, California Public Employees Retirement Systems (CALPERS); and FORMERLY, member and Chairman of the Board, Sutter Community Hospitals; member, Corporate Board, Blue Shield of California; and Chief Counsel, California Department of Transportation. -----

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JOSEPH FORTUNATO (1932) Trustee Since 1989 144 None 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Attorney; and FORMERLY, member of the law firm of Pitney, Hardin, Kipp & Szuch (until 2002) (Consultant (2003)). -----

----- EDITH  
E. HOLIDAY (1952) Trustee Since 2004 139 Director, Hess Corporation (formerly, One Franklin Parkway Amerada Hess Corporation) (explo- San Mateo, CA 94403-1906 ration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company). PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Director or Trustee of various companies and trusts; and FORMERLY, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989). -----

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NUMBER OF PORTFOLIOS IN NAME, YEAR OF BIRTH LENGTH OF FUND COMPLEX OVERSEEN AND ADDRESS POSITION TIME SERVED BY BOARD MEMBER\* OTHER DIRECTORSHIPS HELD  
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FRANK W.T. LAHAYE (1929) Trustee Since 1988 118 Director, Center for Creative Land One Franklin Parkway Recycling (redevelopment). San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: General Partner, Las Olas L.P. (Asset Management); and FORMERLY, Chairman, Peregrine Venture Management Company (venture capital). -----

----- \*\*\*GORDON S. MACKLIN (1928) Trustee Since 1993 143 Director, MedImmune, Inc. (biotech- 500 East Broward

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Bld. nology) and Overstock.com (Internet Suite 2100 services); and FORMERLY, Director, MCI Fort Lauderdale, FL 33394-3091 Communication Corporation (subsequently known as MCI WorldCom, Inc. and WorldCom, Inc.) (communications services) (1988-2002), White Mountains Insurance Group, Ltd. (holding company) (1987-2004), Spacehab, Inc. (aerospace services) (1994-2003) and Martek Biosciences Corporation (1998-2006). PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Director of various companies; Senior Business Advisor, Martek Biosciences Corporation (research and development); and FORMERLY, Deputy Chairman, White Mountains Insurance Group, Ltd. (holding company) (2001-2004); Chairman, White River Corporation (financial services) (1993-1998) and Hambrecht & Quist Group (investment banking) (1987-1992); and President, National Association of Securities Dealers, Inc. (1970-1987).

FRANK A. OLSON (1932) Trustee Since 2005 102 Director, Hess Corporation (formerly, One Franklin Parkway Amerada Hess Corporation) (exploration and refining of oil and gas) and Sentient Jet (private jet service); and FORMERLY, Director, Becton Dickinson and Company (medical technology), Cooper Industries, Inc. (electrical products and tools and hardware), Health Net, Inc. (formerly Foundation Health) (integrated managed care), The Hertz Corporation, Pacific Southwest Airlines, the RCA Corporation, Unicom (formerly, Commonwealth Edison), UAL Corporation (airlines) and White Mountains Insurance Group, Ltd. (holding company). PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and FORMERLY, Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines).

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NUMBER OF PORTFOLIOS IN NAME, YEAR OF BIRTH LENGTH OF FUND COMPLEX OVERSEEN AND ADDRESS POSITION TIME SERVED BY BOARD MEMBER\* OTHER DIRECTORSHIPS HELD

\*\*\*\*JOHN B. WILSON (1959) Trustee Since February 41 None One Franklin Parkway 2006 San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and FORMERLY, Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President - Finance Strategy, Staples, Inc. (office supplies) (1992-1996); Executive Vice President - Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (1986-1990).

INTERESTED BOARD MEMBERS AND OFFICERS

NUMBER OF PORTFOLIOS IN NAME, YEAR OF BIRTH LENGTH OF FUND COMPLEX OVERSEEN AND ADDRESS POSITION TIME SERVED BY BOARD MEMBER\* OTHER DIRECTORSHIPS HELD

\*\*EDWARD B. JAMIESON (1948) Trustee, Trustee, President 1 None One Franklin Parkway President and since 1993 and San Mateo, CA 94403-1906 Chief Executive Officer - Investment Management since 2002 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: President and Director, Franklin Advisers, Inc.; officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of four of the investment companies in Franklin Templeton Investments.

\*\*CHARLES B. JOHNSON (1933) Trustee and Trustee since 143 None One Franklin Parkway Chairman of 1988 and San Mateo, CA 94403-1906 the Board Chairman of the Board since 1993 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Chairman of the Board, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President, Franklin Templeton Distributors, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton Investments.

Explanation of Responses:

\*\*RUPERT H. JOHNSON, JR. (1940) Trustee and Since 1988 127 None One Franklin Parkway Senior Vice San Mateo, CA 94403-1906 President PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President and Director, Franklin Templeton Distributors, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

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HARMON E. BURNS (1945) Vice President Since 1988 Not Applicable Not Applicable One Franklin Parkway San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President and Director, Franklin Templeton Distributors, Inc.; Executive Vice President, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

----- JAMES

M. DAVIS (1952) Chief Since 2004 Not Applicable Not Applicable One Franklin Parkway Compliance San Mateo, CA 94403-1906 Officer PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Director, Global Compliance, Franklin Resources, Inc.; officer of 47 of the investment companies in Franklin Templeton Investments; and FORMERLY, Director of Compliance, Franklin Resources, Inc. (1994-2001).

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LAURA FERGERSON (1962) Treasurer Since 2004 Not Applicable Not Applicable One Franklin Parkway San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Vice President, Franklin Templeton Services, LLC; officer of 31 of the investment companies in Franklin Templeton Investments; and FORMERLY, Director and member of Audit and Valuation Committees, Runkel Funds, Inc. (2003-2004); Assistant Treasurer of most of the investment companies in Franklin Templeton Investments (1997-2003); and Vice President, Franklin Templeton Services, LLC (1997-2003).

----- JIMMY

D. GAMBILL (1947) Senior Vice Since 2002 Not Applicable Not Applicable 500 East Broward Blvd. President and Suite 2100 Chief Fort Lauderdale, FL 33394-3091 Executive Officer - Finance and Administration PRINCIPAL OCCUPATION DURING PAST 5 YEARS: President, Franklin Templeton Services, LLC; Senior Vice President, Templeton Worldwide, Inc.; and officer of 47 of the investment companies in Franklin Templeton Investments.

----- DAVID

P. GOSS (1947) Vice President Since 2000 Not Applicable Not Applicable One Franklin Parkway San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Senior Associate General Counsel, Franklin Templeton Investments; officer and director of one of the subsidiaries of Franklin Resources, Inc.; and officer of 47 of the investment companies in Franklin Templeton Investments.

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BARBARA J. GREEN (1947) Vice President Since 2000 Not Applicable Not Applicable One Franklin Parkway San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Vice President, Deputy General Counsel and Secretary, Franklin Resources, Inc.; Secretary and Senior Vice President, Templeton Worldwide, Inc.; Secretary, Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Investment Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Alternative Strategies, Inc., Franklin Templeton Investor

Explanation of Responses:

Services, LLC, Franklin Templeton Services, LLC, Franklin Templeton Distributors, Inc., Templeton Investment Counsel, LLC, and Templeton/Franklin Investment Services, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 47 of the investment companies in Franklin Templeton Investments; and FORMERLY, Deputy Director, Division of Investment Management, Executive Assistant and Senior Advisor to the Chairman, Counselor to the Chairman, Special Counsel and Attorney Fellow, U.S. Securities and Exchange Commission (1986-1995); Attorney, Rogers & Wells (until 1986); and Judicial Clerk, U.S. District Court (District of Massachusetts) (until 1979).

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KAREN L. SKIDMORE (1952) Vice President Vice President Not Applicable Not Applicable One Franklin Parkway and Secretary since March 2006 San Mateo, CA 94403-1906 and Secretary since April 2006 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Senior Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Templeton Funds Annuity Company; and officer of 31 of the investment companies in Franklin Templeton Investments.

----- CRAIG  
S. TYLE (1960) Vice President Since 2005 Not Applicable Not Applicable One Franklin Parkway San Mateo, CA 94403-1906 PRINCIPAL OCCUPATION DURING PAST 5 YEARS: General Counsel and Executive Vice President, Franklin Resources, Inc.; officer of 47 of the investment companies in Franklin Templeton Investments; and FORMERLY, Partner, Shearman & Sterling, LLP (2004-2005); and General Counsel, Investment Company Institute (ICI) (1997-2004).

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GALEN G. VETTER (1951) Chief Financial Since 2004 Not Applicable Not Applicable 500 East Broward Blvd. Officer and Suite 2100 Chief Fort Lauderdale, FL 33394-3091 Accounting Officer PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Senior Vice President, Franklin Templeton Services, LLC; officer of 47 of the investment companies in Franklin Templeton Investments; and FORMERLY, Managing Director, RSM McGladrey, Inc. (1999-2004); and Partner, McGladrey & Pullen, LLP (1979-1987 and 1991-2004).

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base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers. \*\* Charles B. Johnson and Rupert H. Johnson, Jr. are considered to be interested persons of the Trust under the federal securities laws due to their positions as officers and directors and major shareholders of Franklin Resources, Inc. (Resources), which is the parent company of the Trust's investment manager and distributor. Edward B. Jamieson is considered to be an interested person of the Trust under the federal securities laws due to his position as officer of the Trust's investment manager. \*\*\* Subsequent to August 31, 2006, Mr. Fortunato and Mr. Macklin each ceased to be a trustee of the Fund. \*\*\*\* Subsequent to August 31, 2006, Mr. Wilson became a trustee of the Fund. Note: Charles B. Johnson and Rupert H. Johnson, Jr. are brothers. THE SARBANES-OXLEY ACT OF 2002 AND RULES ADOPTED BY THE SECURITIES AND EXCHANGE COMMISSION REQUIRE THE FUND TO DISCLOSE WHETHER THE FUND'S AUDIT COMMITTEE INCLUDES AT LEAST ONE MEMBER WHO IS AN AUDIT COMMITTEE FINANCIAL EXPERT WITHIN THE MEANING OF SUCH ACT AND RULES. THE FUND'S BOARD OF TRUSTEES HAS DETERMINED THAT THERE IS AT LEAST ONE SUCH FINANCIAL EXPERT ON THE AUDIT COMMITTEE AND HAS DESIGNATED FRANK W.T. LAHAYE AS ITS AUDIT COMMITTEE FINANCIAL EXPERT. THE BOARD BELIEVES THAT MR. LAHAYE QUALIFIES AS SUCH AN EXPERT IN VIEW OF HIS EXTENSIVE BUSINESS BACKGROUND AND EXPERIENCE, INCLUDING SERVICE AS PRESIDENT AND DIRECTOR OF MCCORMICK SELPH ASSOCIATES FROM 1954 THROUGH 1965; DIRECTOR AND CHAIRMAN OF TELEDYNE CANADA LTD. FROM 1966 THROUGH 1971; DIRECTOR AND CHAIRMAN OF QUARTERDECK CORPORATION FROM 1982 THROUGH 1998; AND SERVICES AS A DIRECTOR OF VARIOUS OTHER PUBLIC COMPANIES INCLUDING U.S. TELEPHONE

INC. (1981-1984), FISHER IMAGING INC. (1991-1998) AND DIGITAL TRANSMISSIONS SYSTEMS (1995-1999). IN ADDITION, MR. LAHAYE SERVED FROM 1981 TO 2000 AS A DIRECTOR AND CHAIRMAN OF PEREGRINE VENTURE MANAGEMENT CO., A VENTURE CAPITAL FIRM, AND HAS BEEN A MEMBER AND CHAIRMAN OF THE FUND'S AUDIT COMMITTEE SINCE ITS INCEPTION. AS A RESULT OF SUCH BACKGROUND AND EXPERIENCE, THE BOARD OF TRUSTEES BELIEVES THAT MR. LAHAYE HAS ACQUIRED AN UNDERSTANDING OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND FINANCIAL STATEMENTS, THE GENERAL APPLICATION OF SUCH PRINCIPLES IN CONNECTION WITH THE ACCOUNTING ESTIMATES, ACCRUALS AND RESERVES, AND ANALYZING AND EVALUATING FINANCIAL STATEMENTS THAT PRESENT A BREADTH AND LEVEL OF COMPLEXITY OF ACCOUNTING ISSUES GENERALLY COMPARABLE TO THOSE OF THE FUND, AS WELL AS AN UNDERSTANDING OF INTERNAL CONTROLS AND PROCEDURES FOR FINANCIAL REPORTING AND AN UNDERSTANDING OF AUDIT COMMITTEE FUNCTIONS. MR. LAHAYE IS AN INDEPENDENT TRUSTEE AS THAT TERM IS DEFINED UNDER THE APPLICABLE U.S. SECURITIES AND EXCHANGE COMMISSION RULES AND RELEASES OR THE LISTING STANDARDS APPLICABLE TO THE FUND.

Annual Report | 39 Franklin Universal Trust SHAREHOLDER INFORMATION 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 [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 also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://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](http://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-CSRS for the six months ended February 28, 2006. Additionally, the Fund expects to file, on or about October 29, 2006, such certifications with its Form N-CSR for the year ended August 31, 2006. 40 | Annual Report 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](http://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 Foreign Fund Templeton Foreign Smaller Companies Fund Templeton International (Ex EM) Fund 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 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 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's AGE High Income Fund Franklin Floating Rate Daily Access Fund 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 5 NATIONAL FUNDS Double Tax-Free Income Fund Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund 6 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 6 Arizona Minnesota 6 California 7 Missouri Colorado New Jersey Connecticut New York 7 Florida 7 North Carolina Georgia Ohio 6 Kentucky Oregon Louisiana Pennsylvania Maryland Tennessee Massachusetts 6 Virginia INSURANCE FUNDS Franklin Templeton Variable Insurance Products Trust 8 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. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable. 6. Portfolio of insured municipal securities. 7. 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). 8. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts. 07/06 Not part of the annual report [LOGO](R) FRANKLIN TEMPLETON One Franklin Parkway INVESTMENTS San Mateo, CA 94403-1906 ANNUAL REPORT FRANKLIN UNIVERSAL TRUST INVESTMENT MANAGER Franklin Advisers, Inc. 1-800/DIAL BEN(R) 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 A2006 10/06 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 (a) Audit Fees The aggregate fees paid to the principal accountant for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or for services that are normally provided by the principal accountant in connection with statutory and regulatory filings or engagements were \$22,209 for the fiscal year ended August 31, 2006 and \$16,505 for the fiscal year ended August 31, 2005. (b) Audit-Related Fees The aggregate fees paid to the principal accountant for assurance and related services rendered by the principal accountant to the registrant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under



paragraph (a) of Item 4 were \$8,736 for the fiscal year ended August 31, 2006 and \$8,400 for the fiscal year ended August 31, 2005. The services for which these fees were paid included attestation services. There were no fees paid to the principal accountant for assurance and related services rendered by the principal accountant to the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant that are reasonably related to the performance of the audit of their financial statements. (c) Tax Fees There were no fees paid to the principal accountant for professional services rendered by the principal accountant to the registrant for tax compliance, tax advice and tax planning. There were no fees paid to the principal accountant for professional services rendered by the principal accountant to the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant for tax compliance, tax advice and tax planning. (d) All Other Fees The aggregate fees paid to the principal accountant for products and services rendered by the principal accountant to the registrant not reported in paragraphs (a)-(c) of Item 4 were \$110 for the fiscal year ended August 31, 2006 and \$0 for the fiscal year ended August 31, 2005. The services for which these fees were paid included review of materials provided to the fund Board in connection with the investment management contract renewal process. The aggregate fees paid to the principal accountant for products and services rendered by the principal accountant to the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant not reported in paragraphs (a)-(c) of Item 4 were \$175,751 for the fiscal year ended August 31, 2006 and \$0 for the fiscal year ended August 31, 2005. The services for which these fees were paid included review of materials provided to the fund Board in connection with the investment management contract renewal process. (e) (1) The registrant's audit committee is directly responsible for approving the services to be provided by the auditors, including: (i) pre-approval of all audit and audit related services; (ii) pre-approval of all non-audit related services to be provided to the Fund by the auditors; (iii) pre-approval of all non-audit related services to be provided to the registrant by the auditors to the registrant's investment adviser or to any entity that controls, is controlled by or is under common control with the registrant's investment adviser and that provides ongoing services to the registrant where the non-audit services relate directly to the operations or financial reporting of the registrant; and (iv) establishment by the audit committee, if deemed necessary or appropriate, as an alternative to committee pre-approval of services to be provided by the auditors, as required by paragraphs (ii) and (iii) above, of policies and procedures to permit such services to be pre-approved by other means, such as through establishment of guidelines or by action of a designated member or members of the committee; provided the policies and procedures are detailed as to the particular service and the committee is informed of each service and such policies and procedures do not include delegation of audit committee responsibilities, as contemplated under the Securities Exchange Act of 1934, to management; subject, in the case of (ii) through (iv), to any waivers, exceptions or exemptions that may be available under applicable law or rules. (e) (2) None of the services provided to the registrant described in paragraphs (b)-(d) of Item 4 were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of regulation S-X. (f) No disclosures are required by this Item 4(f). (g) The aggregate non-audit fees paid to the principal accountant for services rendered by the principal accountant to the registrant and the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant were \$184,597 for the fiscal year ended August 31, 2006 and \$8,400 for the fiscal year ended August 31, 2005. (h) The registrant's audit committee of the board has considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence. ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS. Members of the Audit Committee are: Robert F. Carlson, John B. Wilson and Frank W. T. LaHaye. 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. 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. In situations where the manager perceives a material conflict of interest, the manager may: disclose the conflict to the Fund's board of trustees; defer to the voting recommendation of the Fund's board of trustees, ISS, Glass Lewis or those of another independent third party provider of proxy services; or take such other action in good faith (in consultation with counsel) which would protect the interests of the Fund and its shareholders. 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 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 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, 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. 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 and posted on the SEC website at www.sec.gov and reflect the twelve-month period beginning July 1, 2005, and ending June 30, 2006.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS. (a)(1) As of October 27, 2006, the portfolio managers of the Fund are as follows: CHRISTOPHER J. MOLUMPHY CFA, Executive Vice President of FRANKLIN ADVISERS, INC. Mr. Molumphy has been a manager of the Fund since 1991. He has primary responsibility for the investments of the Fund. Mr.

Molumphy has final authority over all aspects of the Fund's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated management requirements. The degree to which he may perform these functions, and the nature of these functions, may change from time to time. He joined Franklin Templeton Investments in 1988. GLENN I. VOYLES CFA, Vice President of FRANKLIN ADVISERS, INC. Mr. Voyles has been a manager of the Fund since 1999, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment for the global income component of the Fund. He joined Franklin Templeton Investments in 1993. (a)(2) This section reflects information about the portfolio managers as of the fiscal year ended August 31, 2006. The following table shows the number of other accounts managed by each portfolio manager and the total assets in the accounts managed within each category:

	Assets of	Assets of	Number of Other
Number of Other Pooled Assests	Other Registered	Other Investment of	Other Registered Investment Pooled Vehicles
Number of Accounting Investment Companies	Investment Managed	Other Managed Companies	Managed Vehicles (x
\$1 Accounts (x \$1 Name	Managed (x \$1 million)	Managed/(1) million)/(1)	Managed/(1) million)/(1)
-----	Christopher J. Molumphy	7 6,450.8	4 590.6
307.5	-----	Glenn I. Voyles	0 N/A 0 N/A 0 N/A

1. The various pooled investment vehicles and accounts listed are managed by a team of investment professionals. Accordingly, the individual managers listed would not be solely responsible for managing such listed amounts. Portfolio managers that provide investment services to the

Fund may also provide services to a variety of other investment products, including other funds, institutional accounts and private accounts. The advisory fees for some of such other products and accounts may be different than that charged to the Fund and may include performance-based compensation. This may result in fees that are higher (or lower) than the advisory fees paid by the Fund. As a matter of policy, each fund or account is managed solely for the benefit of the beneficial owners thereof. As discussed below, the separation of the trading execution function from the portfolio management function and the application of objectively based trade allocation procedures helps to mitigate potential conflicts of interest that may arise as a result of the portfolio managers managing accounts with different advisory fees.

**CONFLICTS.** The management of multiple funds, including the Fund, and accounts may also give rise to potential conflicts of interest if the funds and other accounts have different objectives, benchmarks, time horizons, and fees as the portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. The manager seeks to manage such competing interests for the time and attention of portfolio managers by having portfolio managers focus on a particular investment discipline. Most other accounts managed by a portfolio manager are managed using the same investment strategies that are used in connection with the management of the Fund. Accordingly, portfolio holdings, position sizes, and industry and sector exposures tend to be similar across similar portfolios, which may minimize the potential for conflicts of interest. As noted above, the separate management of the trade execution and valuation functions from the portfolio management process also helps to reduce potential conflicts of interest. However, securities selected for funds or accounts other than the Fund may outperform the securities selected for the Fund. Moreover, if a portfolio manager identifies a limited investment opportunity that may be suitable for more than one fund or other account, the Fund may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible funds and other accounts. The manager seeks to manage such potential conflicts by using procedures intended to provide a fair allocation of buy and sell opportunities among funds and other accounts. The structure of a portfolio manager's compensation may give rise to potential conflicts of interest. A portfolio manager's base pay and bonus tend to increase with additional and more complex responsibilities that include increased assets under management. As such, there may be an indirect relationship between a portfolio manager's marketing or sales efforts and his or her bonus. Finally, the management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. While the funds and the manager have adopted a code of ethics, which they believe contains provisions reasonably necessary to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, there can be no assurance that the code of ethics addresses all individual conduct that could result in conflicts of interest. The manager and the Fund have adopted certain compliance procedures that are designed to address these, and other, types of conflicts. However, there is no guarantee that such procedures will detect each and every situation where a conflict arises.

**COMPENSATION.** The manager seeks to maintain a compensation program that is competitively positioned to attract, retain and motivate top-quality investment professionals. Portfolio managers receive a base salary, a cash incentive bonus opportunity, an equity compensation opportunity, and a benefits package. Portfolio manager compensation is reviewed annually and the level of compensation is based on individual performance, the salary range for a portfolio manager's level of responsibility and Franklin Templeton guidelines. Portfolio managers are provided no financial incentive to favor one fund or account over another. Each portfolio manager's compensation consists of the following three elements:

**BASE SALARY** Each portfolio manager is paid a base salary.

**ANNUAL BONUS** Annual bonuses are structured to align the interests of the portfolio manager with those of the Fund's shareholders. Each portfolio manager is eligible to receive an annual bonus. Bonuses generally are split between cash (50% to 65%) and restricted shares of Franklin Resources stock (17.5% to 25%) and mutual fund shares (17.5% to 25%). The deferred equity-based compensation is intended to build a vested interest of the portfolio manager in the financial performance of both Franklin Resources and mutual funds advised by the manager. The bonus plan is intended to provide a competitive level of annual bonus compensation that is tied to the portfolio manager achieving consistently strong investment performance, which aligns the financial incentives of the portfolio manager and Fund shareholders. The Chief Investment Officer of the manager and/or other officers of the manager, with responsibility for the Fund, have discretion in the granting of annual bonuses to portfolio managers in accordance with Franklin Templeton guidelines. The following factors are generally used in determining bonuses under the plan:

**o INVESTMENT PERFORMANCE.** Primary consideration is given to the historic investment performance over the 1, 3 and 5 preceding years of all accounts managed by the portfolio manager. The pre-tax performance of each fund managed is measured relative to a relevant peer group and/or applicable benchmark as appropriate. o

NON-INVESTMENT PERFORMANCE. The more qualitative contributions of a portfolio manager to the manager's business and the investment management team, including professional knowledge, productivity, responsiveness to client needs and communication, are evaluated in determining the amount of any bonus award. o

RESPONSIBILITIES. The characteristics and complexity of funds managed by the portfolio manager are factored in the manager's appraisal. ADDITIONAL LONG-TERM EQUITY-BASED COMPENSATION Portfolio managers may also be awarded restricted shares or units of Franklin Resources stock or restricted shares or units of one or more mutual funds, and options to purchase common shares of Franklin Resources stock. Awards of such deferred equity-based compensation typically vest over time, so as to create incentives to retain key talent. Portfolio managers also participate in benefit plans and programs available generally to all employees of the manager. OWNERSHIP OF FUND SHARES. The manager has a policy of encouraging portfolio managers to invest in the funds they manage.

Exceptions arise when, for example, a fund is closed to new investors or when tax considerations or jurisdictional constraints cause such an investment to be inappropriate for the portfolio manager. The following is the dollar range of Fund shares beneficially owned by each portfolio manager as of August 31, 2006 (such amounts may change from time to time): ----- Dollar Range of Fund Shares Beneficially Owned

Owned ----- Christopher J. None Molumphy ----- Glenn I. Voyles None ----- ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

PERIOD	TOTAL NUMBER OF SHARES MAXIMUM PURCHASED	NUMBER OF AS PART OF SHARES THAT TOTAL PUBLICLY MAY YET BE ANNOUNCED PURCHASED PER SHARE PROGRAM PLANS OR PROGRAMS	NUMBER OF AVERAGE PERIOD SHARES PRICE PAID PLANS OR UNDER THE PURCHASED PER SHARE PROGRAM PLANS OR PROGRAMS
3/01/06-3/31/06	2,792,429	4/01/06-4/30/06	2,792,429
5/01/06-5/31/06	50,000.000	6.27	50,000.000 2,742,429
6/01/06-6/30/06	163,000.000	6.33	163,000.000 2,579,429
7/01/06-7/31/06	122,600.000	6.34	122,600.000 2,456,829
8/01/06-8/31/06	126,900.000	6.45	126,900.000 2,329,929
Total	462,500.000	6.35	462,500.000

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 open-market transactions, at the discretion of management. 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

Explanation of Responses:

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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 ----- Jimmy D. Gambill Chief Executive Officer - Finance and Administration Date October 26, 2006 Pursuant to the requirements of the Securities Exchange Act of 1934 and the 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 ----- Jimmy D. Gambill Chief Executive Officer - Finance and Administration Date October 26, 2006 By /S/GALEN G. VETTER ----- Galen G. Vetter Chief Financial Officer Date October 26, 2006