

FRANKLIN UNIVERSAL TRUST
Form N-Q
July 28, 2006

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-05569

FRANKLIN UNIVERSAL TRUST

(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

Date of reporting period: 5/31/06

ITEM 1. SCHEDULE OF INVESTMENTS.

Franklin Universal Trust

QUARTERLY STATEMENT OF INVESTMENTS
MAY 31, 2006

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[LOGO] (R)
FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN o Templeton o Mutual Series

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED)

	COUNTRY
LONG TERM INVESTMENTS 126.6%	
COMMON STOCKS 34.3%	
NON-ENERGY MINERALS 1.3%	
AngloGold Ashanti Ltd., ADR	South Africa
Barrick Gold Corp.	Canada
PRODUCER MANUFACTURING 0.0% a	
b Harvard Industries Inc.	United States
b,c VS Holdings Inc.	United States
UTILITIES 33.0%	
Alliant Energy Corp.	United States
Ameren Corp.	United States
American Electric Power Co. Inc.	United States
Atmos Energy Corp.	United States
CenterPoint Energy Inc.	United States
Dominion Resources Inc.	United States
DTE Energy Co.	United States
Duke Energy Corp.	United States
Edison International	United States
Energy East Corp.	United States
Entergy Corp.	United States
Exelon Corp.	United States
FirstEnergy Corp.	United States
FPL Group Inc.	United States
NiSource Inc.	United States
ONEOK Inc.	United States
Pinnacle West Capital Corp.	United States
Progress Energy Inc.	United States
Public Service Enterprise Group Inc.	United States
The Southern Co.	United States
TXU Corp.	United States
TOTAL COMMON STOCKS (COST \$45,552,404)	
PREFERRED STOCKS 1.0%	
PROCESS INDUSTRIES 0.0% a	
c,d,e Asia Pulp & Paper Co. Ltd., 12.00%, pfd., Perpetual	Indonesia
UTILITIES 1.0%	
Heco Capital Trust III, 6.50%, pfd.	United States
TOTAL PREFERRED STOCKS (COST \$5,875,000)	

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

	COUNTRY	PRINC
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS 89.2%		
COMMERCIAL SERVICES 5.7%		
Corrections Corp. of America, senior note, 7.50%, 5/01/11	United States	
Dex Media West LLC, senior sub. note, 9.875%, 8/15/13	United States	
JohnsonDiversey Inc., senior sub. note, B, 9.625%, 5/15/12	United States	
f R.H. Donnelley Corp., senior note, 144A, 8.875%, 1/15/16	United States	
United Rentals North America Inc., senior sub. note, 7.75%, 11/15/13	United States	
COMMUNICATIONS 9.3%		
Dobson Cellular Systems Inc., senior secured note, 9.875%, 11/01/12	United States	
Inmarsat Finance PLC, senior note, 7.625%, 6/30/12	United Kingdom	
Inmarsat Finance II PLC, senior note, zero cpn. to 11/15/08, 10.375% thereafter, 11/15/12	United Kingdom	
Intelsat Bermuda Ltd., senior note, 8.25%, 1/15/13	Bermuda	
Millicom International Cellular SA, senior note, 10.00%, 12/01/13	Luxembourg	
f Nordic Telephone Co. Holdings., senior note, 144A, 8.875%, 5/01/16	Denmark	
Qwest Communications International Inc., senior note, 7.50%, 2/15/14	United States	
Rogers Wireless Inc., senior secured note, 7.25%, 12/15/12	Canada	
f Wind Acquisition Finance SA, senior note, 144A, 10.75%, 12/01/15	Italy	
CONSUMER DURABLES 6.9%		
Ford Motor Credit Co., 5.625%, 10/01/08	United States	
General Motors Acceptance Corp., 6.875%, 8/28/12	United States	
General Motors Corp., senior deb., 8.25%, 7/15/23	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	
Simmons Bedding Co., senior sub. note, 7.875%, 1/15/14	United States	
f Visant Holding Corp., senior note, 144A, 8.75%, 12/01/13	United States	
William Lyon Homes Inc., senior note, 7.625%, 12/15/12	United States	

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CONSUMER NON-DURABLES 4.1%	
f Reynolds American Inc., 144A, 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

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Franklin Universal Trust

STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

	COUNTRY	PRINC
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
CONSUMER SERVICES 14.3%		
AMC Entertainment Inc., senior note, B, 8.625%, 8/15/12	United States	
c,d Atherton Franchise Capital, 13.073%, 12/01/08	United States	
Cablevision Systems Corp., senior note, B, 8.00%, 4/15/12	United States	
CCH II LLC, senior note, 10.25%, 9/15/10	United States	
DIRECTV Holdings LLC, senior note, 8.375%, 3/15/13	United States	
f EchoStar DBS Corp., senior note, 144A, 7.125%, 2/01/16	United States	
f Hertz Corp., senior note, 144A, 8.875%, 1/01/14	United States	
Liberty Media Corp., senior note, 5.70%, 5/15/13	United States	
LIN Television Corp., senior sub. note, 6.50%, 5/15/13	United States	
f MGM MIRAGE Inc., senior note, 144A, 6.875%, 4/01/16	United States	
f Quebecor Media Inc., senior note, 144A, 7.75%, 3/15/16	Canada	
Radio One Inc., senior sub. note, 6.375%, 2/15/13	United States	
Royal Caribbean Cruises Ltd., senior note, 8.00%, 5/15/10	United States	
6.875%, 12/01/13	United States	
Station Casinos Inc., senior note, 6.00%, 4/01/12	United States	
senior sub. note, 6.50%, 2/01/14	United States	
senior sub. note, 6.875%, 3/01/16	United States	
ELECTRONIC TECHNOLOGY 4.6%		
DRS Technologies Inc., senior sub. note, 7.625%, 2/01/18	United States	
L-3 Communications Corp., senior sub. note, 6.375%, 10/15/15	United States	
Sanmina-SCI Corp., senior sub. note, 6.75%, 3/01/13	United States	
8.125%, 3/01/16	United States	
f Solectron Global Finance Ltd., senior sub. note, 144A, 8.00%, 3/15/16	United States	

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ENERGY MINERALS 5.5%	
Chesapeake Energy Corp., senior note, 6.25%, 1/15/18	United States
f Mariner Energy Inc., senior note, 144A, 7.50%, 4/15/13	United States
f Massey Energy Co., senior note, 144A, 6.875%, 12/15/13	United States
Plains Exploration & Production Co., senior note, 7.125%, 6/15/14	United States
Pogo Producing Co., senior sub. note, 6.875%, 10/01/17	United States
HEALTH SERVICES 5.7%	
DaVita Inc., senior sub. note, 7.25%, 3/15/15	United States
HCA Inc., 6.50%, 2/15/16	United States
Tenet Healthcare Corp., senior note, 7.375%, 2/01/13	United States
Vanguard Health Holding Co. II LLC, senior sub. note, 9.00%, 10/01/14	United States

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STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

	COUNTRY	PRINC
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
INDUSTRIAL SERVICES 4.0%		
Allied Waste North America Inc., senior secured note, 6.50%, 11/15/10	United States	
B, 5.75%, 2/15/11	United States	
f Copano Energy LLC, senior note, 144A, 8.125%, 3/01/16	United States	
Hanover Equipment Trust 01, senior secured note, B, 8.75%, 9/01/11	United States	
Markwest Energy Partners LP, senior note, 6.875%, 11/01/14	United States	
NON-ENERGY MINERALS 0.8%		
f Novelis Inc., senior note, 144A, 7.25%, 2/15/15	Canada	
PROCESS INDUSTRIES 10.2%		
Abitibi-Consolidated Co. of Canada, senior note, 8.375%, 4/01/15	Canada	
f Basell AF SCA, senior note, 144A, 8.375%, 8/15/15	Germany	
BCP Crystal Holdings Corp., senior sub. note, 9.625%, 6/15/14	United States	
Buckeye Technologies Inc., senior sub. note, 8.00%, 10/15/10	United States	
f Crown Americas Inc., senior note, 144A, 7.75%, 11/15/15	United States	
JSG Funding PLC, senior sub. note, 7.75%, 4/01/15	Ireland	
Nalco Co., senior sub. note, 8.875%, 11/15/13	United States	

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Owens-Brockway Glass Container Inc., senior note, 6.75%, 12/01/14	United States
b,c,e Pindo Deli Finance Mauritius Ltd., 144A, h FRN, 6.00%, 4/29/15	Indonesia
h FRN, 5.664%, 4/29/18	Indonesia
zero cpn., 4/29/25	Indonesia
Rhodia SA, senior note, 10.25%, 6/01/10	France
PRODUCER MANUFACTURING 4.3%	
Case New Holland Inc., senior note, 9.25%, 8/01/11	United States
f Invensys PLC, senior note, 144A, 9.875%, 3/15/11	United Kingdom
Milacron Escrow Corp., senior secured note, 11.50%, 5/15/11	United States
Nortek Inc., senior sub. note, 8.50%, 9/01/14	United States
TRW Automotive Inc., senior note, 9.375%, 2/15/13	United States

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STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

	COUNTRY	PRINC
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
REAL ESTATE INVESTMENT TRUSTS 1.6%		
Host Marriott LP, senior note,		
M, 7.00%, 8/15/12	United States	
O, 6.375%, 3/15/15	United States	
RETAIL TRADE 2.9%		
f GSC Holdings Corp., senior note, 144A, 8.00%, 10/01/12	United States	
f Rite Aid Corp., senior note, 144A, 6.125%, 12/15/08	United States	
TECHNOLOGY SERVICES 2.8%		
d PSINet Inc.,		
10.50%, 12/01/06	United States	
senior note, 11.00%, 8/01/09	United States	
f SunGard Data Systems Inc.,		
senior note, 144A, 9.125%, 8/15/13	United States	
senior sub. note, 144A, 10.25%, 8/15/15	United States	
UGS Corp., senior sub. note, 10.00%, 6/01/12	United States	

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TRANSPORTATION 0.6%	
Great Lakes Dredge & Dock Co., senior sub. note, 7.75%, 12/15/13	United States
UTILITIES 5.9%	
Aquila Inc., senior note, 14.875%, 7/01/12	United States
d,e,f Calpine Corp., senior secured note, 144A, 8.75%, 7/15/13	United States
Dynegy Holdings Inc., senior note, 8.75%, 2/15/12	United States
Midwest Generation LLC, senior secured note, 8.75%, 5/01/34	United States
NRG Energy Inc., senior note, 7.375%, 2/01/16	United States
TOTAL CORPORATE BONDS (COST \$173,901,317)	
FOREIGN GOVERNMENT AND AGENCY SECURITIES 2.1%	
GOVERNMENT BONDS 2.1%	
Eskom, E168, 11.00%, 6/01/08	South Africa
Government of Mexico, 11.375%, 9/15/16	Mexico
TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES (COST \$3,512,872)	
TOTAL LONG TERM INVESTMENTS (COST \$228,841,593)	

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STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

-----		COUNTRY
-----		-----
SHORT TERM INVESTMENT (COST \$1,479,390) 0.8%		
MONEY MARKET FUND 0.8%		
i Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.71%		United States
TOTAL INVESTMENTS (COST \$230,320,983) 127.4%		
NOTES PAYABLE (28.6)%		
OTHER ASSETS, LESS LIABILITIES 1.2%		
NET ASSETS 100.0%		

CURRENCY ABBREVIATIONS

ZAR - South African Rand

SELECTED PORTFOLIO ABBREVIATIONS

ADR - American Depository Receipt

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FRN - Floating Rate Note

- a Rounds to less than 0.1% of net assets.
- b Non-income producing.
- c See Note 2 regarding restricted securities.
- d Defaulted security.
- e See Note 3 regarding other considerations.
- 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 qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under the guidelines approved by the Fund's Board of Trustees. At May 31, 2006, the aggregate value of these securities was \$41,017,915, representing 21.35% of net assets.
- g The principal amount is stated in U.S. dollars unless otherwise indicated.
- h The coupon rate shown represents the rate at period end.
- i The Franklin Institutional Fiduciary Trust Money Market Portfolio is managed by the Fund's investment manager. The rate shown is the annualized seven-day yield at period end.

8 | See Notes to Statement of Investments. | Quarterly Statement of Investments

Franklin Universal Trust

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin Universal Trust (the Fund) is registered under the Investment Company Act of 1940 as a diversified, closed-end investment company.

1. INCOME TAXES

At May 31, 2006, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$ 230,541,225
	=====
Unrealized appreciation	\$ 30,361,981
Unrealized depreciation	(16,002,394)

Net unrealized appreciation (depreciation)	\$ 14,359,587
	=====

2. RESTRICTED SECURITIES

At May 31, 2006, the Fund held investments in restricted securities, valued in accordance with procedures approved by the Fund's Board of Trustees as reflecting fair value, as follows:

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SHARES/ PRINCIPAL AMOUNT	ISSUER	ACQUISITION DATE	COST
4,000,000	Asia Pulp & Paper Co. Ltd., 12.00%, pfd., Perpetual	2/14/97	\$ 4,000,000
728,696	Atherton Franchise Capital, 13.073%, 12/01/08	4/28/94	728,696
339,219	Pindo Deli Finance Mauritius Ltd., 144A, FRN, 6.00% 4/29/15	4/29/05	78,821
882,036	Pindo Deli Finance Mauritius Ltd., 144A, FRN, 5.664% 4/29/18	4/29/05	204,950
1,822,397	Pindo Deli Finance Mauritius Ltd., 144A, zero cpn., 4/29/25	4/29/05	423,452
181,875	VS Holdings Inc.	12/06/01	181,875
TOTAL RESTRICTED SECURITIES (0.39% of Net Assets)			

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NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED) (CONTINUED)

3. OTHER CONSIDERATIONS

Subject to certain terms and conditions, the Fund has agreed to sell its holdings in Asia Pulp & Paper Co. Ltd. and Pindo Deli Finance Mauritius Ltd. in November 2006. Until the completion of the sale, the transaction is being accounted for as a secured borrowing with a pledge of collateral and any preliminary sales proceeds or other interest and cash distributions received are deferred until the completion of the transaction and are recorded as part of the net sales proceeds.

Directors or employees of Advisers, as the Fund's Investment Manager, may serve as members of various bondholders' steering committees, on credit committees, or may represent the Fund in certain corporate restructuring negotiations. At May 31, 2006, such individuals serve in one or more of these capacities for Calpine Corp. As a result of this involvement, such individuals may be in possession of certain material non-public information. If the Fund's Investment Manager, while in possession of such information, seeks to buy or sell any of this security, it will comply with all applicable federal securities laws.

For information on the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to the Fund's most recent semiannual or annual shareholder report.

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ITEM 2. 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

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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 Quarterly Schedule of Portfolio Holdings on Form N-Q, 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 Quarterly Schedule of Portfolio Holdings on Form N-Q.

ITEM 3. EXHIBITS.

(A) Certification pursuant to Section 30a-2 under the Investment Company Act of 1940 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.

FRANKILN UNIVERSAL TRUST

By /S/JIMMY D. GAMBILL

Jimmy D. Gambill

Chief Executive Officer - Finance and Administration

Date July 27, 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 July 27, 2006

By /S/GALEN G. VETTER

Galen G. Vetter

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Chief Financial Officer
Date July 27, 2006

Exhibit A

I, Jimmy D. Gambill, certify that:

1. I have reviewed this report on Form N-Q of FRANKLIN UNIVERSAL TRUST;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the schedules of investments included in this report fairly present in all material respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of

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directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 27, 2006

/S/JIMMY D. GAMBILL
Chief Executive Officer - Finance and Administration

I, Galen G. Vetter, certify that:

1. I have reviewed this report on Form N-Q of FRANKLIN UNIVERSAL TRUST;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the schedules of investments included in this report fairly present in all material respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 27, 2006

/S/GALEN G. VETTER
Chief Financial Officer