

TEMPLETON DRAGON FUND INC
Form 40-17F2
October 09, 2008

**U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM N-17F-2

**CERTIFICATE OF ACCOUNTING OF SECURITIES AND SIMILAR INVESTMENTS IN THE
CUSTODY OF MANAGEMENT INVESTMENT COMPANIES**

PURSUANT TO RULE N-17F-2

1. Investment Company Act File Number: 811- 08394

Date Examination completed: April 23, 2008

2. State Identification Number:

**AL AK AZ AR CA CO
CT DE DC FL GA HI
ID IL IN IA KS KY
LA ME MD MA MI MN
MS MO MT NE NV NH
NJ NM NY NC ND OH
OK OR PA RI SC SD
TN TX UT VT VA WA
WV WI WY PUERTO RICO**

3. Exact name of investment company as specified in registration statement:

TEMPLETON DRAGON FUND, INC.

4. Address of principal executive office: (number, street, city, state, zip code)

One Franklin Parkway San Mateo, CA 94403

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of

Franklin Templeton Limited Duration Income Trust
Templeton Global Investment Trust
Templeton Russia and East European Fund, Inc.
Franklin Real Estate Securities Trust
Franklin Strategic Series
Franklin High Income Trust
Franklin Capital Growth Fund
Franklin Templeton Money Fund Trust
Institutional Fiduciary Trust
Franklin Global Trust
Franklin Gold and Precious Metals Fund
Franklin Universal Trust
Templeton Emerging Markets Fund
Templeton Emerging Markets Income Fund
Templeton Global Income Fund
Templeton Income Trust
Franklin Strategic Mortgage Portfolio
Franklin Investors Securities Trust
Franklin Templeton International Trust
Franklin Value Investors Trust
Franklin Templeton Fund Allocator Series
Franklin Templeton Variable Insurance Products Trust

and the Board of Directors of

Franklin Money Fund
Franklin Custodian Funds, Inc.
Templeton Dragon Fund, Inc.
Templeton Institutional Funds, Inc.

We have examined management's assertion, included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940, that the funds (see Attachment I) (hereafter referred to as the "Funds") complied with the requirements of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 ("the Act") as of February 29, 2008. Management is responsible for the Funds' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Funds' compliance based on our examination.

Our examination was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included examining, on a test basis, evidence about the Funds' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of February 29, 2008, and with respect to agreement of security purchases and sales, for the period indicated in Attachment I:

- Confirmation of all securities held by Franklin Templeton Investors Services, Inc. as they pertain to the security positions owned by the Funds and held in book entry form.

- Reconciliation of such security positions to the books and records of the Funds and Franklin Templeton Investor Services, Inc.
- Agreement of 108 security purchases and 108 security sales or maturities, since our last report, to the books and records of the Funds and Franklin Templeton Investor Services, Inc.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Funds' compliance with specified requirements.

In our opinion, management's assertion that the Funds were in compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of February 29, 2008 with respect to securities reflected in the investment accounts of the Funds is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees and Board of Directors, management, and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

/s/ PricewaterhouseCoopers, LLP

San Francisco, California

April 23, 2008

**Management Statement Regarding Compliance With Certain
Provisions of the Investment Company Act of 1940**

We, as members of management of the Franklin Templeton Funds indicated in Attachment I (the “Funds”), are responsible for complying with the requirements of subsections (b) and (c) of Rule 17f-2, “Custody of Investments by Registered Management Investment Companies,” of the Investment Company Act of 1940. We are also responsible for establishing and maintaining effective internal controls over compliance with those requirements. We have performed an evaluation of the Funds’ compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of February 29, 2008, and for the period indicated in Attachment I.

Based on this evaluation, we assert that the Funds were in compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of February 29, 2008, and for the period indicated in Attachment I, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/ Galen G. Vetter

Galen G. Vetter

Chief Executive Officer - Finance and Administration

4/23/08

Date

/s/ Laura F. Fergerson

Laura F. Fergerson

Chief Financial Officer and Chief Accounting Officer

4/23/08

Date

| <i>Fund</i> | <i>Period</i> |
|---|---------------------------------|
| Franklin Templeton Limited Duration Income Trust | Nov. 1, 2007 - Feb. 29, 2008 |
| Templeton Global Investment Trust: Templeton Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Templeton Russia and East European Fund, Inc. | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Real Estate Securities Trust: Franklin Real Estate Securities Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Strategic Series: | |
| Franklin Biotechnology Discovery Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Flex Cap Growth Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Focused Core Equity Fund | **Dec. 13, 2007 - Feb. 29, 2008 |
| Franklin Global Communications Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Global Health Care Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Growth Opportunities Fund* | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Natural Resources Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Small Cap Growth Fund II | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Small-Mid Cap Growth Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Strategic Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Technology Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin High Income Trust: Franklin High Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Capital Growth Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Money Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Templeton Money Fund Trust: Franklin Templeton Money Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Institutional Fiduciary Trust: | |
| Franklin Cash Reserves Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Money Market Portfolio | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Global Trust: | |
| Fiduciary Large Capitalization Growth and Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Fiduciary Small Capitalization Equity Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Templeton Core Fixed Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Templeton Core Plus Fixed Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Templeton Emerging Market Debt Opportunities Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Templeton High Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Gold and Precious Metals Fund | Nov. 1, 2007 - Feb. 29, 2008 |

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| Franklin Universal Trust | Nov. 1, 2007 - Feb. 29, 2008 |
| Templeton Emerging Markets Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Templeton Emerging Markets Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Templeton Global Income Fund | Nov. 1, 2007 - Feb. 29, 2008 |
| Templeton Income Trust: Templeton International Bond Fund | **Dec. 3, 2007 - Feb. 29, 2008 |
| Franklin Custodian Funds, Inc.: Franklin DynaTech Fund Franklin Growth Fund Franklin Income Fund Franklin U.S. Government Securities Fund Franklin Utilities Fund | Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Strategic Mortgage Portfolio | Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Investors Securities Trust: Franklin Adjustable U.S. Government Securities Fund Franklin Balanced Fund Franklin Convertible Securities Fund Franklin Equity Income Fund Franklin Floating Rate Daily Access Fund Franklin Limited Maturity U.S. Government Securities Fund Franklin Low Duration Total Return Fund Franklin Total Return Fund | Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Templeton International Trust: Franklin India Growth Fund | **Jan. 31, 2008 - Feb. 29, 2008 |
| Franklin Value Investors Trust: Franklin All Cap Value Fund Franklin Balance Sheet Investment Fund Franklin Large Cap Value Fund Franklin MicroCap Value Fund Franklin MidCap Value Fund Franklin Small Cap Value Fund | Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 |
| Franklin Templeton Fund Allocator Series: Franklin Templeton 2015 Retirement Target Fund Franklin Templeton 2025 Retirement Target Fund Franklin Templeton 2035 Retirement Target Fund Franklin Templeton 2045 Retirement Target Fund Franklin Templeton Conservative Target Fund Franklin Templeton Corefolio Allocation Fund Franklin Templeton Founding Funds Allocation Fund Franklin Templeton Growth Target Fund Franklin Templeton Moderate Target Fund | Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 Nov. 1, 2007 - Feb. 29, 2008 |

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Franklin Templeton Perspectives Allocation Fund Nov. 1, 2007 - Feb. 29, 2008

Franklin Templeton Variable Insurance Products Trust:

Franklin Flex Cap Growth Securities Fund Nov. 1, 2007 - Feb. 29, 2008

Franklin Founding Funds Allocation Fund Nov. 1, 2007 - Feb. 29, 2008

Franklin Large Cap Value Securities Fund Nov. 1, 2007 - Feb. 29, 2008

Franklin Rising Dividends Securities Fund Nov. 1, 2007 - Feb. 29, 2008

Franklin Small Cap Value Securities Fund Nov. 1, 2007 - Feb. 29, 2008

Franklin Small-Mid Cap Growth Securities Fund Nov. 1, 2007 - Feb. 29, 2008

Franklin Strategic Income Securities Fund Nov. 1, 2007 - Feb. 29, 2008

Templeton Foreign Securities Fund Nov. 1, 2007 - Feb. 29, 2008

Templeton Global Asset Allocation Fund Nov. 1, 2007 - Feb. 29, 2008

Templeton Dragon Fund, Inc. Nov. 1, 2007 - Feb. 29, 2008

Templeton Institutional Funds, Inc.:

Foreign Equity Series Nov. 1, 2007 - Feb. 29, 2008

* Fund changed name from Franklin Aggressive Growth Fund on November 1, 2007

** Commencement of Operations