

TARO PHARMACEUTICAL INDUSTRIES LTD
Form NT 20-F
July 01, 2008

| OMB APPROVAL |

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

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FORM 12b-25

NOTIFICATION OF LATE FILING

|-----|
| SEC FILE NUMBER |
0-22286
CUSIP NUMBER
M8737E108

(Check one): Form 10-K Form 20-F Form 11-K Form 10-Q Form
 10-D Form N-SAR Form N-CSR

For Period Ended: December 31, 2007

- Transition Report on Form 10-K
- Transition Report on Form 20-F
- Transition Report on Form 11-K
- Transition Report on Form 10-Q
- Transition Report on Form N-SAR

For the Transition Period Ended:

Read Instruction (on back page) Before Preparing Form. Please Print or Type.
NOTHING IN THIS FORM SHALL BE CONSTRUED TO IMPLY THAT THE COMMISSION HAS
VERIFIED ANY INFORMATION CONTAINED HEREIN.

If the notification relates to a portion of the filing checked above, identify
the item(s) to which the notification relates:

PART I -- REGISTRANT INFORMATION

Taro Pharmaceutical Industries Ltd.

Full Name of Registrant

Former Name if Applicable

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Italy House, Euro Park

Address of Principal Executive Office (Street and Number)

Yakum 60972, Israel

City, State and Zip Code

PART II -- RULE 12b-25(b) AND (c)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-25(b), the following should be completed. (Check box if appropriate)

- | (a) The reason described in reasonable detail in
- | Part III of this form could not be eliminated
- | without unreasonable effort or expense;
- | (b) The subject annual report, semi-annual report,
- | transition report on Form 10-K, Form 20-F, Form
- | 11-K, Form N-SAR or Form N-CSR, or
- {X} | portion thereof, will be filed on or before the
- | fifteenth calendar day following the prescribed
- | due date; or the subject quarterly report or
- | transition report on Form 10-Q or subject
- | distribution report on Form 10-D, or portion
- | thereof, will be filed on or before the fifth
- | calendar day following the prescribed due date;
- | and
- | (c) The accountant's statement or other exhibit
- | required by Rule 12b-25(c) has been attached if
- | applicable.

PART III -- NARRATIVE

State below in reasonable detail why Forms 10-K, 20-F, 11-K, 10-Q, 10-D, N-SAR, N-CSR, or the transition report or portion thereof, could not be filed within the prescribed time period.

Taro Pharmaceutical Industries Ltd. (the "Company") is unable to timely file its annual report on Form 20-F for the fiscal year ended December 31, 2007 (the "2007 20-F") without unreasonable effort and expense because the Company is unable to complete its financial statements for the years ended December 31, 2006 and December 31, 2007. The Company is unable to complete these financial statements because the Company is continuing to review the adequacy of estimates for accruals recorded in 2005 and prior years for sales returns, chargebacks, rebates and administrative fees. The eventual outcome of this review cannot be predicted with any certainty at this time and, based on present information, changes in the estimates for those years, if made, may be material. However, the Company does not expect that any such changes, if made, would affect the results for 2006 and prior years, when taken in the aggregate. Furthermore, if any such

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changes were to be made, they would likely reduce the amount of loss in 2006. The Company believes that such changes will not impact the financial results for 2007.

The review of accruals described above is also being audited by the Company's outside auditors. As a result of this review, the Company cannot predict when it will be in a position to issue its 2006 or its 2007 audited financial statements.

PART IV -- OTHER INFORMATION

(1) Name and telephone number of person to contact in regard to this notification

Ron Kolker	914	345-9000 ext. 6361
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(Name)	(Area Code)	(Telephone Number)

(2) Have all other periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934 or Section 30 of the Investment Company Act of 1940 during the preceding 12 months or for such shorter period that the registrant was required to file such report(s) been filed? If answer is no, identify report(s). Yes No

As discussed above, the Company continues to be unable to file its annual report on Form 20-F for the fiscal year ended December 31, 2006.

(3) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof? Yes No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

As previously announced, the Company expects to report net sales in a range of approximately \$313 million and net income of approximately \$21.1 million for the year ended December 31, 2007 compared to an estimated loss of approximately \$141 million for the year ended December 31, 2006. These estimates are subject to further review and possible change.

Taro Pharmaceutical Industries Ltd.

(Name of Registrant as Specified in Charter)

has caused this notification to be signed on its behalf by the undersigned thereunto duly authorized.

Date June 30, 2008

By /s/ Ron Kolker

Name: Ron Kolker
Title: Senior Vice President, Chief

ATTENTION

Intentional misstatements or omissions of fact constitute Federal criminal violations (See 18 U.S.C. 1001)

blished as minimum qualifications for Board membership as an Independent Director (1) that such candidate be independent from relationships with the Fund's investment manager and other principal service providers both within the terms and the spirit of the statutory independence requirements specified under the 1940 Act and the rules thereunder, (2) that such candidate demonstrate an ability and willingness to make the considerable time commitment, including personal attendance at Board meetings, believed necessary to his or her function as an effective Board member, and (3) that such candidate have no continuing relationship as a director, officer or board member of any investment company other than those within the Franklin Templeton Investments fund complex. When the Board has or expects to have a vacancy, the Nominating Committee receives and reviews information on individuals qualified to be recommended to the full Board as nominees for election as Directors, including any recommendations by "Qualifying Fund Shareholders" (as defined below). Such individuals are evaluated based upon the criteria described above. To date, the Nominating Committee has been able to identify, and expects to continue to be able to identify, from its own resources an ample number of qualified candidates. The Nominating Committee, however, will review recommendations from Qualifying Fund Shareholders to fill vacancies on the Board if these recommendations are submitted in writing and addressed to the Nominating Committee at the Fund's offices and are presented with appropriate background material concerning the candidate that demonstrates his or her ability to serve as a Director, including as an Independent Director, of the Fund. A Qualifying Fund Shareholder is a shareholder who (i) has continuously owned of record, or beneficially through a financial intermediary, shares of the Fund having a net asset value of not less than two hundred and fifty thousand dollars (\$250,000) during the twenty-four month period prior to submitting the recommendation; and (ii) provides a written notice to the Nominating Committee containing the following information: (a) the name and address of the Qualifying Fund Shareholder making the recommendation; (b) the number of shares of the Fund which are owned of record and beneficially by such Qualifying Fund Shareholder and the length of time that such shares have been so owned by the Qualifying Fund Shareholder; (c) a description of all arrangements and understandings between such Qualifying Fund Shareholder and any other person or persons (naming such person or persons) pursuant to which the recommendation is being made; (d) the name, age, date of birth, business address and residence address of the person or persons being recommended; (e) such other information regarding each person recommended by such Qualifying Fund Shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the U.S. Securities and Exchange Commission ("SEC") had the nominee been nominated by the Board; (f) whether the shareholder making the recommendation believes the person recommended would or would not be an "interested person" of the Fund, as defined in the 1940 Act; and (g) the written consent of each person recommended to serve as a Director of the Fund if so nominated and elected/appointed. The Nominating Committee may amend these procedures from time to time, including the procedures relating to the evaluation of nominees and the process for submitting recommendations to the Nominating Committee. The Board has adopted and approved a formal written charter for the Nominating Committee. A copy of the charter is attached as Exhibit A to this proxy statement. Who are the nominees and Directors? The Board is divided into three classes. Each class has a term of three years. Each year the term of office of one class expires. This year, the terms of four Directors expire. Harris J. Ashton, Frank J. Crothers, S. Joseph Fortunato and Constantine D. Tseretopoulos have been nominated for three-year terms, set to expire at the 2008 Annual Meeting of Shareholders. These terms continue, however, until successors are duly elected and qualified. All of the nominees are currently members of the Board and are considered Independent Directors. In addition, all of the current nominees and Directors are also directors or trustees of other Franklin(R) funds and/or Templeton(R) funds. Certain Directors of the Fund hold director and/or officer positions with Franklin Resources, Inc. ("Resources") and its affiliates. Resources is a publicly owned holding company, the principal shareholders of which are Charles B. Johnson and Rupert H. Johnson, Jr., who owned approximately 17.47% and 15.12%, respectively, of its outstanding shares as of December 31, 2004. Resources, a global investment management organization operating as Franklin Templeton Investments, is primarily engaged,

through various subsidiaries, in providing investment management, share distribution, transfer agent and administrative services to a family of investment companies. Resources is a New York Stock Exchange, Inc. ("NYSE") listed holding company (NYSE: BEN). Charles B. Johnson, Chairman of the Board, Director and Vice President of the Fund, and Rupert H. Johnson, Jr., Vice President of the Fund, are brothers. There are no family relationships among any of the Directors or nominees for Director. Each nominee currently is available and has consented to serve if elected. If any of the nominees should become unavailable, the designated proxy holders will vote in their discretion for another person or persons who may be nominated as Directors. Listed below, for the nominees and Directors, are their names, ages and addresses, as well as their positions and length of service with the Fund, principal occupations during the past five years, the number of portfolios in the Franklin Templeton Investments fund complex that they oversee, and any other directorships held by the nominee or Director. 3 Nominees for Independent Director to serve until 2008 Annual Meeting of Shareholders: Number of Portfolios in Franklin Templeton Investments Fund Complex Length of Overseen by Name, Age and Address Position Time Served Director* Other Directorships Held

----- Harris J. Ashton (72)
 Director Since 1994 143 Director, Bar-S Foods 500 East Broward Blvd. (meat packing company). Suite 2100 Fort Lauderdale, FL 33394-3091 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).

----- Frank J. Crothers (60)
 Director Since 1998 20 None 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 Principal Occupation During Past 5 Years: Chairman, Island Corporate Holdings Ltd.; Director and Vice Chairman, Caribbean Utilities Co. Ltd.; Director, Provo Power Company Ltd.; director of various other business and nonprofit organizations; and formerly, Chairman, Atlantic Equipment & Power Ltd. (1977-2003).

----- S. Joseph Fortunato (72)
 Director Since 1994 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) and Consultant (2003).

----- Constantine D. Tseretopoulos (51)
 Director Since 1998 20 None 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 Principal Occupation During Past 5 Years: Physician, Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and formerly, Cardiology Fellow, University of Maryland (1985-1987) and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).

----- 4 Independent Director serving until 2007 Annual Meeting of Shareholders: Number of Portfolios in Franklin Templeton Investments Fund Complex Length of Overseen by Name, Age and Address Position Time Served Director* Other Directorships Held

----- Edith E. Holiday (53)
 Director Since 1996 97 Director, Amerada Hess 500 East Broward Blvd. Corporation (exploration and Suite 2100 refining of oil and gas), H.J. Fort Lauderdale, FL 33394-3091 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).

----- Interested Directors serving until 2007 Annual Meeting of Shareholders: **Martin L. Flanagan (44) Director and Since 1994 5 None One Franklin Parkway Vice President San Mateo, CA 94403-1906 Principal Occupation During Past 5 Years: Co-President and Chief Executive Officer, Franklin Resources, Inc.; Senior Vice President and Chief Financial Officer, Franklin Mutual Advisers, LLC; Executive Vice President, Chief Financial Officer and Director, Templeton Worldwide, Inc.; Executive Vice President and Chief Operating Officer, Templeton Investment Counsel, LLC; President and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Investment Advisory Services, Inc. and Franklin Templeton Investor Services, LLC; Chief Financial Officer, Franklin Advisory Services,

LLC; Chairman, Franklin Templeton 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 49 of the investment companies in Franklin Templeton Investments. ----- 5

Number of Portfolios in Franklin Templeton Investments Fund Complex Length of Overseen by Name, Age and Address Position Time Served Director* Other Directorships Held

----- **Charles B. Johnson (72) Chairman of Director and 143 None One Franklin Parkway the Board, Vice President San Mateo, CA 94403-1906 Director and since 1994 and Vice President Chairman of the Board since 1995 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.; Director, Fiduciary Trust Company International; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

----- Independent Directors serving until 2006 Annual Meeting of Shareholders: Gordon S. Macklin (76) Director Since 1994 143 Director, Martek Biosciences 500 East Broward Blvd. Corporation, MedImmune, Inc. Suite 2100 (biotechnology), and Fort Lauderdale, FL 33394-3091 Overstock.com (Internet services); and formerly, Director, MCI Communication Corporation (subsequently known as MCI WorldCom, Inc. and WorldCom, Inc.) (communication services) (1988-2002), White Mountains Insurance Group Ltd. (holding company) (1987-2004), and Spacehab, Inc. (aerospace services) (1994-2003). Principal Occupation During Past 5 Years: Director of various companies; 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).

----- 6 Number of Portfolios in Franklin Templeton Investments Fund Complex Length of Overseen by Name, Age and Address Position Time Served Director* Other Directorships Held

----- Fred R. Millsaps (75) Director Since 1994 27 None 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 Principal Occupation During Past 5 Years: Director of various business and nonprofit organizations; manager of personal investments (1978-present); and formerly, Chairman and Chief Executive Officer, Landmark Banking Corporation (1969-1978); Financial Vice President, Florida Power and Light (1965-1969); and Vice President, Federal Reserve Bank of Atlanta (1958-1965).

----- Frank A. Olson (72) Director Since 2003 20 Director, White Mountains 500 East Broward Blvd. Insurance Group, Ltd. (holding Suite 2100 company), Amerada Hess Fort Lauderdale, FL 33394-3091 Corporation (exploration and refining of oil and gas), and Sentient Jet (private jet service); and formerly, Director, Becton Dickinson and Co. (medical technology), Cooper Industries (electrical products and tools and hardware), Health Net (formerly Foundation Health), The Hertz Corporation, Pacific Southwest Airlines, The RCA Corporation, Unicom (formerly Commonwealth Edison), and UAL Corporation (airlines). 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).

----- 7 * We 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 adviser or affiliated investment advisers, and also may share a common underwriter. ** Martin L. Flanagan and Charles B. Johnson are "interested persons" of the Fund as defined by the 1940 Act. The 1940 Act limits the percentage of interested persons that can comprise a fund's board of directors. Mr. Johnson is considered an interested person of the Fund due to his position as an officer and director and major shareholder of Resources, which is the parent company of the Fund's Investment Manager, and his position with the Fund. Mr. Flanagan is considered an interested person of the Fund due to his position as an officer of Resources and his position with the Fund. The remaining nominees and Directors of the Fund are Independent Directors. The following tables provide the dollar range of the equity securities of the Fund and of all funds overseen by the Directors in the Franklin Templeton Investments fund complex beneficially owned by the Directors as of

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March 31, 2005. Independent Directors: Aggregate Dollar Range of Equity Securities in all Funds Overseen by the Dollar Range of Equity Director in the Franklin Templeton Name of Director Securities in the Fund Investments Fund Complex ----- Harris J. Ashton..... \$1 - \$10,000 Over \$100,000 Frank J. Crothers..... None Over \$100,000 S. Joseph Fortunato..... \$1 - \$10,000 Over \$100,000 Edith E. Holiday..... \$1 - \$10,000 Over \$100,000 Gordon S. Macklin..... \$10,001 - \$50,000 Over \$100,000 Fred R. Millsaps..... None Over \$100,000 Frank A. Olson..... None Over \$100,000 Constantine D. Tseretopoulos None Over \$100,000 Interested Directors: Aggregate Dollar Range of Equity Securities in all Funds Overseen by the Dollar Range of Equity Director in the Franklin Templeton Name of Director Securities in the Fund Investments Fund Complex ----- Martin L. Flanagan..... Over \$100,000 Over \$100,000 Charles B. Johnson..... Over \$100,000 Over \$100,000

How often do the Directors meet and what are they paid? The role of the Directors is to provide general oversight of the Fund's business, and to ensure that the Fund is operated for the benefit of all shareholders. The Directors anticipate meeting at least five times during the current fiscal year to review the operations of the Fund and the Fund's investment performance. The Directors also oversee the services furnished to the Fund by Templeton Asset Management Ltd.--Hong Kong branch, the Fund's investment manager (the "Investment Manager"), and various other service providers. The Fund currently pays the Independent Directors an annual retainer of \$2,000 and a fee of \$400 per Board meeting attended. 8 Directors serving on the Audit Committee of the Fund and other investment companies in Franklin Templeton Investments receive a flat fee of \$2,000 per Audit Committee meeting attended, a portion of which is allocated to the Fund. Members of a committee are not compensated for any committee meeting held on the day of a Board meeting. During the fiscal year ended December 31, 2004, there were seven meetings of the Board, three meetings of the Audit Committee, and five meetings of the Nominating Committee. Each Director then in office attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees of the Board on which the Director served with the exception of Mr. Macklin who missed two Board meetings and two Nominating Committee meetings due to illness. The Fund does not currently have a formal policy regarding Directors' attendance at the annual shareholders' meeting. No Directors attended the Fund's last annual meeting held on May 25, 2004. Certain Directors and officers of the Fund are shareholders of Resources and may receive indirect remuneration due to their participation in management fees and other fees received by the Investment Manager and its affiliates from the funds in Franklin Templeton Investments. The Investment Manager or its affiliates pay the salaries and expenses of the officers. No pension or retirement benefits are accrued as part of Fund expenses. The table below indicates the total fees paid to Independent Directors by the Fund individually and by all of the funds in Franklin Templeton Investments. These Directors also serve as directors or trustees of other funds in Franklin Templeton Investments, many of which hold meetings at different dates and times. The Directors and the Fund's management believe that having the same individuals serving on the boards of many of the funds in Franklin Templeton Investments enhances the ability of each fund to obtain, at a relatively modest cost to each separate fund, the services of high caliber, experienced and knowledgeable Independent Directors who can more effectively oversee the management of the funds. Number of Boards within Aggregate Total Compensation from Franklin Templeton Compensation Franklin Templeton Investments Fund Complex Name of Director from the Fund* Investments Fund Complex** on which Director Serves***

Name of Director	Investments Fund Complex**	on which Director Serves***	Investments Fund Complex**	on which Director Serves***
Harris J. Ashton			\$4,000	
Frank J. Crothers	4,044	138,500	15	
S. Joseph Fortunato	4,000	372,100	47	
Edith E. Holiday	4,000	360,527	33	
Betty P. Kraemer****	800	26,900	0	
Gordon S. Macklin	3,600	368,101	46	
Fred R. Millsaps	4,068	222,125	17	
Frank A. Olson	4,286	147,250	15	
Constantine D. Tseretopoulos	4,086	140,500	15	

*Compensation received for the fiscal year ended December 31, 2004.
 Compensation received for the calendar year ended December 31, 2004. *We base the number of boards on the number of U.S. registered investment companies in the Franklin Templeton Investments fund complex. This number does not include the total number of series or funds within each investment company for which the Board members are responsible. Franklin Templeton Investments currently includes 51 U.S. registered investment companies, with approximately 155 U.S. based funds or series. ****Ms. Kraemer retired from the Board effective February 24, 2004. 9 Board members historically have followed a policy of having substantial investments in one or more of the funds in Franklin Templeton Investments, as is consistent with their individual financial goals. In February 1998, this policy was formalized through adoption of a requirement that each board member invest one-third of the fees received for

serving as a director or trustee of a Templeton fund in shares of one or more Templeton funds and one-third of the fees received for serving as a director or trustee of a Franklin fund in shares of one or more Franklin funds until the value of such investments equals or exceeds five times the annual fees paid to such board member. Investments in the name of family members or entities controlled by a board member constitute fund holdings of such board member for purposes of this policy, and a three-year phase-in period applies to such investment requirements for newly elected board members. In implementing this policy, a board member's fund holdings existing on February 27, 1998 were valued as of such date, with subsequent investments valued at cost. Who are the Executive Officers of the Fund?

Officers of the Fund are appointed by the Directors and serve at the pleasure of the Board. Listed below, for the Executive Officers, are their names, ages and addresses, as well as their positions and length of service with the Fund, and principal occupations during the past five years. Name, Age and Address Position Length of Time Served

----- Charles B. Johnson
 Chairman of the Board, Director and Vice President Director and since 1994 and Chairman Vice President of the Board since 1995 Please refer to the table "Interested Directors serving until 2007 Annual Meeting of Shareholders" for additional information about Mr. Charles B. Johnson.

----- Martin L. Flanagan
 Director and Vice President Since 1994 Please refer to the table "Interested Directors serving until 2007 Annual Meeting of Shareholders" for additional information about Mr. Martin L. Flanagan.

----- Mark Mobius (68)
 President and Chief President since 1994 and 17th Floor, The Chater House Executive Officer-- Chief Executive Officer-- 8 Connaught Road Investment Management Investment Management since 2002 Central Hong Kong Principal Occupation During Past 5 Years: Portfolio Manager of various Templeton advisory affiliates; Managing Director, Templeton Asset Management Ltd.; Executive Vice President and Director, Templeton Global Advisors Limited; and officer and/or director, as the case may be, of some of the subsidiaries of Franklin Resources, Inc. and of six of the investment companies in Franklin Templeton Investments; and formerly, President, International Investment Trust Company Limited (investment manager of Taiwan R.O.C. Fund) (1986-1987); and Director, Vickers da Costa, Hong Kong (1983-1986).

----- 10 Name, Age and
 Address Position Length of Time Served

----- Rupert H. Johnson, Jr.
 (64) Vice President Since 1996 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.; Director, Franklin Advisers, Inc. and Franklin Investment Advisory Services, 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 49 of the investment companies in Franklin Templeton Investments.

----- Harmon E. Burns (60)
 Vice President Since 1996 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.; Director, Franklin Investment Advisory Services, 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 49 of the investment companies in Franklin Templeton Investments.

----- Jimmy D. Gambill
 (57) Senior Vice President and Chief Since 2002 500 East Broward Blvd. Executive Officer--Finance Suite 2100 and Administration Fort Lauderdale, FL 33394-3091 Principal Occupation During Past 5 Years: President, Franklin Templeton Services, LLC; Senior Vice President, Templeton Worldwide, Inc.; and officer of 51 of the investment companies in Franklin Templeton Investments.

----- Jeffrey A. Everett
 (41) Vice President Since 2001 P. O. Box N-7759 Lyford Cay, Nassau Bahamas Principal Occupation During Past 5 Years: President and Director, Templeton Global Advisors Limited; officer of 15 of the investment companies in Franklin Templeton Investments; and formerly, Investment Officer, First Pennsylvania Investment Research (until 1989). ----- John R. Kay

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(64) Vice President Since 1994 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 Principal Occupation During Past 5 Years: Vice President, Templeton Worldwide, Inc.; Assistant Vice President, Franklin Templeton Distributors, Inc.; Senior Vice President, Franklin Templeton Services, LLC; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 35 of the investment companies in Franklin Templeton Investments; and formerly, Vice President and Controller, Keystone Group, Inc.

----- 11 Name, Age and
Address Position Length of Time Served

----- Murray L. Simpson (67)
Vice President and Since 2000 One Franklin Parkway Assistant Secretary San Mateo, CA 94403-1906 Principal Occupation During Past 5 Years: Executive Vice President and General Counsel, Franklin Resources, Inc.; officer and/or director, as the case may be, of some of the subsidiaries of Franklin Resources, Inc. and of 51 of the investment companies in Franklin Templeton Investments; and formerly, Chief Executive Officer and Managing Director, Templeton Franklin Investment Services (Asia) Limited (until 2000); and Director, Templeton Asset Management Ltd. (until 1999).

----- Barbara J. Green (57) Vice President and Vice President since 2000 and One Franklin Parkway Assistant Secretary Assistant Secretary since 2004 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, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Alternative Strategies, Inc., Franklin Templeton Investor 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 51 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).

----- David P. Goss (57) Vice President and Since 2000 One Franklin Parkway Assistant Secretary San Mateo, CA 94403-1906 Principal Occupation During Past 5 Years: Senior Associate General Counsel, Franklin Resources, Inc.; officer and director of one of the subsidiaries of Franklin Resources, Inc.; officer of 51 of the investment companies in Franklin Templeton Investments; and formerly, President, Chief Executive Officer and Director, Property Resources Equity Trust (until 1999) and Franklin Select Realty Trust (until 2000).

----- Michael O. Magdol (67)
Vice President--AML Compliance Since 2002 600 Fifth Avenue Rockefeller Center New York, NY 10020-2302 Principal Occupation During Past 5 Years: Vice Chairman, Chief Banking Officer and Director, Fiduciary Trust Company International; Director, FTI Banque, Arch Chemicals, Inc. and Lingnan Foundation; and officer and/or director, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 48 of the investment companies in Franklin Templeton Investments.

----- 12 Name, Age and
Address Position Length of Time Served

----- Robert C. Rosselot (44)
Secretary Since 2004 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 Principal Occupation During Past 5 Years: Associate General Counsel and Assistant Secretary, Franklin Resources, Inc.; Vice President and Assistant Secretary, Templeton Investment Counsel, LLC and Fiduciary Trust International of the South; officer of 15 of the investment companies in Franklin Templeton Investments; and formerly, Assistant General Counsel, The Prudential Insurance Company of America (1997-2001).

----- Galen G. Vetter (53) Chief Financial Officer and Since 2004 500 East Broward Blvd. Chief Accounting Officer Suite 2100 Fort Lauderdale, FL 33394-3091 Principal Occupation During Past 5 Years: Officer of 51 of the investment companies in Franklin Templeton Investments; Senior Vice President, Franklin Templeton Services, LLC; formerly, Managing Director, RSM McGladrey, Inc.; and Partner, McGladrey & Pullen, LLP.

----- Gregory R. Seward (48)
Treasurer Since 2004 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 Principal Occupation
During Past 5 Years: Vice President, Franklin Templeton Services, LLC; officer of 15 of the investment companies in
Franklin Templeton Investments; and formerly, Vice President, JPMorgan Chase (2000-2004) and American General
Financial Group (1991-2000).

----- James M. Davis (52) Chief
Compliance Officer Since 2004 One Franklin Parkway San Mateo, CA 94403-1906 Principal Occupation During Past
5 Years: Officer of 51 of the investment companies in Franklin Templeton Investments; Director; Global Compliance,
Franklin Resources, Inc.; and formerly, Director of Compliance, Franklin Resources, Inc. (1994-2001).

----- 13 .ADDITIONAL
INFORMATION ABOUT THE FUND The Investment Manager. The Investment Manager of the Fund is Templeton
Asset Management Ltd.--Hong Kong branch, a Singapore company with a branch office at The Chater House, 17th
Floor, 8 Connaught Road, Central Hong Kong. Pursuant to an investment management agreement, the Investment
Manager manages the investment and reinvestment of Fund assets. The Investment Manager is an indirect, wholly
owned subsidiary of Resources. The Administrator. The administrator of the Fund is Franklin Templeton Services,
LLC ("FT Services"), with offices at 500 East Broward Boulevard, Suite 2100, Fort Lauderdale, Florida 33394-3091.
FT Services is an indirect, wholly owned subsidiary of Resources and an affiliate of the Investment Manager. Pursuant
to an administration agreement, FT Services performs certain administrative functions for the Fund. In addition, FT
Services has entered into a Japanese shareholder servicing and administration agreement with Nomura Asset
Management U.S.A. Inc. ("NAM-USA"), formerly Nomura Capital Management, Inc., under which NAM-USA
performs certain administrative functions in Japan, subject to FT Services' supervision. NAM-USA is an affiliate of
Nomura International (Hong Kong) Limited, an initial underwriter of the Fund's shares. NAM-USA has offices at 180
Maiden Lane, 26th Floor, New York, New York 10038. The Transfer Agent. The transfer agent, registrar and
dividend disbursement agent for the Fund is Mellon Investor Services LLC, 85 Challenger Road, Ridgefield Park,
New Jersey 07660. The Custodian. The custodian for the Fund is JPMorgan Chase Bank, MetroTech Center,
Brooklyn, New York 11245. Other Matters. The Fund's last audited financial statements and annual report for the
fiscal year ended December 31, 2004, are available free of charge. To obtain a copy, please call 1-800/DIAL BEN(R)
(1-800-342-5236) or forward a written request to Franklin Templeton Investor Services, LLC, P.O. Box 33030, St.
Petersburg, Florida 33733-8030. On May 29, 2002, the Fund's shareholders approved an Agreement and Plan of
Reorganization (the "Plan") that provides for the reorganization of the Fund from a Maryland corporation to a
Delaware statutory trust. The completion of the reorganization is pending guidance from the National Tax Agency in
Japan relating to the tax treatment of the Plan under Japanese laws with respect to the Fund's Japanese shareholders.
If and when the reorganization is completed, the Delaware statutory trust will be the successor to the Fund. Therefore,
the use of the term "Fund" in this proxy statement includes such successor entity. Principal Shareholders. As of March
31, 2005, the Fund had 37,770,115 shares outstanding and total net assets of \$719,692,692.18. The Fund's shares are
listed on the NYSE (NYSE: TDF) and on the Osaka Securities Exchange (Symbol: 8683). From time to time, the
number of shares held in "street name" accounts of various securities dealers for the benefit of their clients may
exceed 5% of the total shares outstanding. To the knowledge of the Fund's management, as of March 31, 2005, there
were no other entities holding beneficially or of record more than 5% of the Fund's outstanding shares. In addition, to
the knowledge of the Fund's management, as of March 31, 2005, no nominee or Director of the Fund owned 1% or
more of the outstanding shares of the Fund, and the Directors and officers of the Fund owned, as a group, less than 1%
of the outstanding shares of the Fund. However, Charles B. Johnson, who is 14 Chairman of the Board, Director and
an officer of the Fund, Martin L. Flanagan, who is Director and an officer of the Fund, and Rupert H. Johnson and
Harmon E. Burns, who are officers of the Fund, serve on the administrative committee of the Franklin Templeton
Profit Sharing and 401(k) Plan, which owns 450,442 shares or approximately 1.19% of the outstanding shares of the
Fund. In that capacity, they participate in the voting of such shares. Charles B. Johnson, Martin L. Flanagan, Rupert
H. Johnson and Harmon E. Burns disclaim beneficial ownership of any shares of the Fund owned by the Franklin
Templeton Profit Sharing and 401(k) Plan, except to the extent of their pecuniary interest. Contacting the Board of
Directors. If a shareholder wishes to send a communication to the Board, such correspondence should be in writing
and addressed to the Board of Directors at the Fund's offices, 500 East Broward Boulevard, Suite 2100, Fort
Lauderdale, FL 33394-3091, Attention: Secretary. The correspondence will be given to the Board for review and

consideration. .AUDIT COMMITTEE Audit Committee and Independent Registered Public Accounting Firm. The Fund's Audit Committee is responsible for the appointment, compensation and retention of the Fund's independent registered public accounting firm (auditors), including evaluating their independence, recommending the selection of the Fund's auditors to the full Board and meeting with such auditors to consider and review matters relating to the Fund's financial reports and internal accounting. The Audit Committee also reviews the maintenance of the Fund's records and the safekeeping arrangements of the Fund's custodian. The Audit Committee is comprised of Messrs. Millsaps (Chairman), Crothers, Olson and Tseretopoulos, all of whom are Independent Directors and also are considered to be "independent" as that term is defined by the NYSE's listing standards. Selection of Auditors. The Audit Committee and the Board have selected the firm of PricewaterhouseCoopers LLP ("PwC") as auditors of the Fund for the current fiscal year. Representatives of PwC are not expected to be present at the Meeting, but will have the opportunity to make a statement if they wish, and will be available should any matter arise requiring their presence. Audit Fees. The aggregate fees paid to PwC for professional services rendered by PwC for the audit of the Fund's annual financial statements or for services that are normally provided by PwC in connection with statutory and regulatory filings or engagements were \$14,747 for the fiscal year ended December 31, 2004 and \$32,549 for the fiscal year ended December 31, 2003. Audit-Related Fees. There were no fees paid to PwC for assurance and related services by PwC that are reasonably related to the performance of the audit or review of the Fund's financial statements and not reported under "Audit Fees" above. In addition, the Audit Committee pre-approves PwC's engagement for audit-related services to be provided to the Investment Manager and certain entities controlling, controlled by, or under common control with the Investment Manager that provide ongoing services to the Fund, which engagements relate directly to the operations and financial reporting of the Fund. The fees for these services were \$48,949 for the fiscal year ended December 31, 2004 and \$3,134 for the fiscal year ended December 31, 2003. The services for which these fees were paid included attestation services. 15 Tax Fees. PwC did not render any tax compliance, tax advice or tax planning services ("tax services") to the Fund for the fiscal year ended December 31, 2004 or for the fiscal year ended December 31, 2003. In addition, the Audit Committee pre-approves PwC's engagement for tax services to be provided to the Investment Manager and certain entities controlling, controlled by, or under common control with the Investment Manager that provide ongoing services to the Fund, which engagements relate directly to the operations and financial reporting of the Fund. However, PwC did not render any such tax services during the Fund's fiscal years ended December 31, 2004 and December 31, 2003. All Other Fees. The aggregate fees paid for products and services provided by PwC, other than the services reported above, were \$270 for the fiscal year ended December 31, 2004 and \$0 for the fiscal year ended December 31, 2003. The services for which these fees were paid included review of materials provided to the Board in connection with the investment management contract renewal process. In addition, the Audit Committee pre-approves PwC's engagement for other services to be provided to the Investment Manager and certain entities controlling, controlled by, or under common control with the Investment Manager that provide ongoing services to the Fund, which engagements relate directly to the operations and financial reporting of the Fund. The aggregate fees paid to PwC for such other services and not reported above were \$99,730 for the Fund's fiscal year ended December 31, 2004. The services for which these fees were paid included review of materials provided to the Board in connection with the investment management contract renewal process. No such other services were provided for the fiscal year ended December 31, 2003. Aggregate Non-Audit Fees. The aggregate non-audit fees for services provided by PwC to the Fund, to the Investment Manager or to any entity controlling, controlled by, or under common control with the Investment Manager that provide ongoing services to the Fund were \$148,949 for the fiscal year ended December 31, 2004 and \$3,134 for the fiscal year ended December 31, 2003. The Audit Committee has determined that the provision of the non-audit services that were rendered to the Investment Manager and certain entities controlling, controlled by, or under common control with the Investment Manager is compatible with maintaining PwC's independence. Audit Committee Pre-Approval Policies and Procedures. As of the date of this proxy statement, the Audit Committee has not adopted pre-approval policies and procedures. As a result, all such services described above and provided by PwC must be directly pre-approved by the Audit Committee. Audit Committee Report. The Board has adopted and approved a formal written charter for the Audit Committee, which sets forth the Audit Committee's responsibilities. A copy of the charter is attached as Exhibit B to this proxy statement. As required by the charter, the Audit Committee reviewed the Fund's audited financial statements and met with management, as well as with PwC, the Fund's auditors, to discuss the financial statements. The Audit Committee received the written disclosures and the letter from PwC required by

Independence Standards Board Standard No. 1. The Audit Committee also received the report of PwC regarding the results of their audit. In connection with their review of the financial statements and the auditors' report, the members of the Audit Committee discussed with a representative of PwC, their independence, as well as the following: the 16 auditors' responsibilities in accordance with generally accepted auditing standards; the auditors' responsibilities for information prepared by management that accompanies the Fund's audited financial statements and any procedures performed and the results; the initial selection of, and whether there were any changes in, significant accounting policies or their application; management's judgments and accounting estimates; whether there were any significant audit adjustments; whether there were any disagreements with management; whether there was any consultation with other accountants; whether there were any major issues discussed with management prior to the auditors' retention; whether the auditors encountered any difficulties in dealing with management in performing the audit; and the auditors' judgments about the quality of the Fund's accounting principles. Based on its review and discussions with management and the Fund's auditors, the Audit Committee did not become aware of any material misstatements or omissions in the financial statements. Accordingly, the Audit Committee recommended to the Board that the audited financial statements be included in the Fund's Annual Report to Shareholders for the fiscal year ended December 31, 2004 for filing with the U.S. Securities and Exchange Commission. AUDIT COMMITTEE Fred R. Millsaps (Chairman) Frank J. Crothers Frank A. Olson Constantine D. Tseretopoulos . FURTHER INFORMATION ABOUT VOTING AND THE MEETING Solicitation of Proxies. Your vote is being solicited by the Directors. The cost of soliciting proxies, including the fees of a proxy soliciting agent, is borne by the Fund. The Fund reimburses brokerage firms and others for their expenses in forwarding proxy material to the beneficial owners and soliciting them to execute proxies. In addition, the Fund may retain a professional proxy solicitation firm to assist with any necessary solicitation of proxies. The Fund expects that the solicitation would be primarily by mail, but may also include telephone, facsimile, electronic or other means of communication. If the Fund does not receive your proxy by a certain time you may receive a telephone call from a proxy soliciting agent asking you to vote. If professional proxy solicitors are retained, it is expected that soliciting fees would be approximately \$5,000, plus expenses. The Fund does not reimburse Directors and officers of the Fund, or regular employees and agents of the Investment Manager involved in the solicitation of proxies. The Fund intends to pay all costs associated with the solicitation and the Meeting. Voting by Broker-Dealers. The Fund expects that, before the Meeting, broker-dealer firms holding shares of the Fund in "street name" for their customers, as well as the Japan Securities Clearing Corporation ("JSCC") holding shares of the Fund for its beneficial owners, will request voting instructions from their customers and beneficial owners. If these instructions are not received by the date specified in the broker-dealer firms' or JSCC's proxy solicitation materials, the Fund understands that NYSE Rules permit the broker-dealers and JSCC to vote on the Proposal on behalf of their customers and beneficial owners. Certain broker-dealers may exercise discretion over shares held in their name for which no instructions are received by voting these shares in the same proportion as they vote shares for which they received instructions. Quorum. A majority of the shares entitled to vote--present in person or represented by proxy--constitutes a quorum at the Meeting. The shares over which broker-dealers and JSCC have discretionary voting power, the shares that represent "broker non-votes" (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter), and the shares whose proxies reflect an abstention on any item will all be counted as shares present and entitled to vote for purposes of determining whether the required quorum of shares exists. Methods of Tabulation. The Proposal to elect Directors requires the affirmative vote of the holders of a plurality of the Fund's shares present and voting on the Proposal at the Meeting. Abstentions and broker non-votes will be treated as votes present at the Meeting, but will not be treated as votes cast. Abstentions and broker non-votes, therefore, will have no effect on the Proposal. Adjournment. The holders of a majority of shares entitled to vote at the Meeting and present in person or by proxy, whether or not sufficient to constitute a quorum, or any officer present entitled to preside or act as Secretary of the Meeting may adjourn the Meeting. Such authority to adjourn the Meeting may be used in the event that a quorum is not present at the Meeting or in the event that a quorum is present but sufficient votes have not been received to approve the Proposal or to permit further solicitation of proxies or for any other reason consistent with Maryland law and the Fund's Articles of Incorporation and By-Laws. Unless otherwise instructed by a shareholder granting a proxy, the persons designated as proxies may use their discretionary authority to vote as instructed by management of the Fund on questions of adjournment and on any other proposals raised at the Meeting to the extent permitted by the SEC's proxy rules, including proposals for which

management of the Fund did not have timely notice, as set forth in the SEC's proxy rules and the Fund's proxy statement for the 2004 annual meeting. Shareholder Proposals. If and when the reorganization of the Fund from a Maryland corporation to a Delaware statutory trust is completed will dictate the requirements relating to shareholder proposals for the 2006 Annual Meeting of Shareholders. This section describes those requirements. Submission of Shareholder Proposals to the Fund. If the reorganization is not completed, the Fund will remain a Maryland corporation, and the proxy rules under the federal securities laws alone will continue to govern shareholder proposals. The Fund anticipates that its 2006 Annual Meeting of Shareholders will be held on or about May 19, 2006. A shareholder who wishes to submit a proposal for consideration for inclusion in the Fund's proxy statement for the 2006 Annual Meeting of Shareholders must send such written proposal to the Fund's offices, at 500 East Broward Boulevard, Suite 2100, Fort Lauderdale, Florida 33394-3091, Attention: Secretary, so that it is received no later than December 12, 2005 in order to be included in the Fund's proxy statement and proxy card relating to that meeting and presented at the meeting. A shareholder of the Fund who has not submitted a written proposal for inclusion in the Fund's proxy statement by December 12, 2005, as described above, may nonetheless present a proposal at the Fund's 2006 Annual Meeting of Shareholders if such shareholder notifies the Fund in writing, at the Fund's offices, of such proposal by February 25, 2006. If a shareholder fails to give notice by this date, then the persons designated as proxies for the 2006 Annual Meeting of Shareholders may exercise discretionary voting power with respect to any such proposal. Submission of a proposal by a shareholder does not guarantee that the proposal will be included in the Fund's proxy statement or presented at the meeting. 18 Submission of Shareholder Proposals to the Trust. If the reorganization is completed, the Fund will be reorganized as a Delaware statutory trust (the "Trust"), and the Trust's By-Laws, in addition to the proxy rules under the federal securities laws, will govern shareholder proposals. The Trust anticipates that the 2006 Annual Meeting of Shareholders will be held on or about May 19, 2006. A shareholder who wishes to submit a proposal for consideration for inclusion in the Trust's proxy statement for the 2006 Annual Meeting of Shareholders must send such written proposal to the Trust's offices, at 500 East Broward Boulevard, Suite 2100, Fort Lauderdale, Florida 33394-3091, Attention: Secretary, so that it is received no later than December 12, 2005 in order to be included in the Trust's proxy statement and proxy card relating to that meeting and presented at the meeting. A shareholder of the Trust who has not submitted a written proposal for inclusion in the proxy statement by December 12, 2005, as described above, may nonetheless present a proposal at the Trust's 2006 Annual Meeting of Shareholders if such shareholder notifies the Trust in writing, at the Trust's offices, of such proposal not earlier than December 20, 2005 and not later than January 19, 2006. If a shareholder fails to give notice within these dates, then the matter shall not be eligible for consideration at the shareholders' meeting. If, notwithstanding the effect of the foregoing notice provisions, a shareholder proposal is acted upon at the 2006 Annual Meeting of Shareholders, the persons designated as proxy holders for proxies solicited by the Board for the 2006 Annual Meeting of Shareholders may exercise discretionary voting power with respect to any shareholder proposal not received by the Trust at the Trust's offices by February 25, 2006. In addition to the requirements set forth above, a shareholder must comply with the following: 1. A shareholder intending to present a proposal must (i) be entitled to vote at the meeting; (ii) comply with the notice procedures set forth in this proxy statement; and (iii) have been a shareholder of record at the time the shareholder's notice was received by the Trust. 2. Each notice regarding nominations for the election of Trustees shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice; (ii) the principal occupation or employment of each such nominee; (iii) the number of outstanding shares of the Trust which are beneficially owned by each such nominee; and (iv) all such other information regarding each such nominee that would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, had each such nominee been nominated by the Trustees of the Trust. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Trust. 3. Each notice regarding business proposals shall set forth as to each matter: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting; (ii) the name and address, as they appear on the Trust's books, of the shareholder proposing such business; (iii) the number of outstanding shares of the Trust which are beneficially owned by the shareholder; (iv) any material interest of the shareholder in such business; and (v) all such other information regarding each such matter that would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each such matter been proposed by the Trustees of the Trust. Submission of a proposal by a shareholder does not guarantee that the proposal will be included in the Trust's proxy statement or presented at the meeting. 19 A shareholder proposal may be presented at the 2006 Annual Meeting

of Shareholders only if such proposal concerns a matter that may be properly brought before the meeting under applicable federal proxy rules and state law. By Order of the Board of Directors, Robert C. Rosselot Secretary April 11, 2005 20 EXHIBIT A NOMINATING COMMITTEE CHARTER I. The Committee. The Nominating Committee (the "Committee") is a committee of, and established by, the Board of Directors/Trustees of the Fund (the "Board"). The Committee consists of such number of members as set by the Board from time to time and its members shall be selected by the Board. The Committee shall be comprised entirely of "independent members." For purposes of this Charter, independent members shall mean members who are not interested persons of the Fund ("Disinterested Board members") as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act"). II. Board Nominations and Functions. 1. The Committee shall make recommendations for nominations for Disinterested Board members on the Board to the incumbent Disinterested Board members and to the full Board. The Committee shall evaluate candidates' qualifications for Board membership and the independence of such candidates from the Fund's investment manager and other principal service providers. Persons selected must be independent in terms of both the letter and the spirit of the 1940 Act. The Committee shall also consider the effect of any relationships beyond those delineated in the 1940 Act that might impair independence, e.g., business, financial or family relationships with investment managers or service providers. 2. The Committee also shall evaluate candidates' qualifications and make recommendations for "interested" members on the Board to the full Board. 3. The Committee may adopt from time to time specific, minimum qualifications that the Committee believes a candidate must meet before being considered as a candidate for Board membership and shall comply with any rules adopted from time to time by the U.S. Securities and Exchange Commission regarding investment company nominating committees and the nomination of persons to be considered as candidates for Board membership. 4. The Committee shall review shareholder recommendations for nominations to fill vacancies on the Board if such recommendations are submitted in writing and addressed to the Committee at the Fund's offices. The Committee shall adopt, by resolution, a policy regarding its procedures for considering candidates for the Board, including any recommended by shareholders. III. Committee Nominations and Functions. The Committee shall make recommendations to the full Board for nomination for membership on all committees of the Board. IV. Other Powers and Responsibilities. 1. The Committee shall meet at least once each year or more frequently in open or executive sessions. The Committee may invite members of management, counsel, advisers and others to attend its meetings as it deems appropriate. The Committee shall have separate sessions with management and others, as and when it deems appropriate. A-1 2. The Committee shall have the resources and authority appropriate to discharge its responsibilities, including authority to retain special counsel and other experts or consultants at the expense of the Fund. 3. The Committee shall report its activities to the Board and make such recommendations as the Committee may deem necessary or appropriate. 4. A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the action of the Committee. The Committee may meet in person or by telephone, and the Committee may act by written consent, to the extent permitted by law and by the Fund's by-laws. In the event of any inconsistency between this Charter and the Fund's organizational documents, the provisions of the Fund's organizational documents shall be given precedence. 5. The Committee shall review this Charter at least annually and recommend any changes to the full Board. ADDITIONAL STATEMENT FOR CLOSED-END FUNDS ONLY The Committee shall comply with any rules of any stock exchange, if any, applicable to nominating committees of closed-end funds whose shares are registered thereon. A-2 EXHIBIT B AUDIT COMMITTEE CHARTER I. The Committee. The Audit Committee ("Committee") is a committee of, and established by, the Board of Directors/Trustees of the Fund (the "Board"). The Committee shall consist of such number of members as set by the Board from time to time, but in no event less than three, and its members shall be selected by the Board. The Committee shall be comprised entirely of "independent" members, as defined in Item 3(a)(2) of SEC Form N-CSR ("Disinterested Board members"). Members shall be financially literate, meaning that each member is able to read and understand fundamental financial statements, including the Fund's balance sheet and income statement. At least one member of the Committee shall be designated by the Board as an "audit committee financial expert," as defined in Item 3(b) of SEC Form N-CSR, unless the Board determines that the Fund does not have an audit committee financial expert on the Committee. II. Purposes of the Committee. The function of the Committee is to be directly responsible for overseeing the Fund's accounting and auditing processes, which shall include the appointment, compensation, retention and oversight of the work of the Fund's independent registered public accounting firm ("auditors") engaged (including resolution of disagreements between management

and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund. It is management's responsibility to maintain appropriate systems for accounting and internal controls. It is the auditors' responsibility to plan and carry out an audit in accordance with the standards of the Public Company Accounting Oversight Board and to report directly to the Committee. It is not the duty of the Committee to plan or conduct audits or to determine that the Fund's financial statements are complete and in accordance with generally accepted accounting principles; it is the responsibility of the auditors to conduct audits and the responsibility of management to prepare the Fund's financial statements in accordance with generally accepted accounting principles. In giving its recommendations to the Board with respect to the Fund's financial statements, the Committee will rely on: 1. management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles, 2. the report of the Fund's auditors with respect to such financial statements. Consistent with such allocation of functions, the purposes of the Committee are: (a) To oversee the Fund's accounting and financial reporting policies and practices and its internal controls, and to obtain, where it deems appropriate, reports on internal controls of service providers to the Fund; (b) To oversee the quality, objectivity and integrity of the Fund's financial statements and the independent audit thereof; (c) To act as a liaison between the Fund's auditors and the Board; and B-1 (d) To consider such other matters as it deems appropriate in carrying out its purpose and any other matters that may be assigned to it by the Board. In addition, the Committee shall serve as the Fund's Qualified Legal Compliance Committee ("QLCC") pursuant to Section 205 of the SEC's Standards of Professional Conduct for Attorneys (the "Standards"). In this capacity, the Committee is required to adopt and maintain written procedures for the confidential receipt, retention and consideration of any report of evidence of a material violation. "Evidence of a material violation" means credible evidence, based upon which it would be unreasonable, under the circumstances, for a prudent and competent attorney not to conclude that it is reasonably likely that a material violation of an applicable U.S. federal or state securities law, a material breach of fiduciary (or similar duty) to the Fund arising under U.S. federal or state law, or a similar material violation of any U.S. federal or state law has occurred, is ongoing, or is about to occur. III. Powers and Duties. The Committee shall have the following powers and duties to carry out its purposes: (a) To select the auditors, subject to approval both by the Board and by a separate vote of the Disinterested Board members, and, in connection therewith, to evaluate the independence and qualifications of the auditors in accordance with applicable federal securities laws and regulations and the rules and standards of the Independence Standards Board and American Institute of Certified Public Accountants. (b) To be directly responsible for approving the services to be provided by, and the compensation of, 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 by the auditors to the Fund's investment adviser or to any entity that controls, is controlled by or is under common control with the Fund's investment adviser and that provides ongoing services to the Fund where the non-audit services relate directly to the operations or financial reporting of the Fund; and (iv) establishment by the 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. (c) To meet with the auditors, including private meetings, as necessary to (i) review the arrangements for and scope of the annual audit and any special audits; (ii) discuss any matters or concerns relating to the Fund's financial statements, including any recorded and/or unrecorded adjustments to such statements recommended by the auditors, or other results of audits; (iii) consider the auditors' comments with respect to the Fund's financial, accounting and reporting policies, procedures and internal controls and management's responses thereto; and (iv) to review the form of opinion the auditors propose to render. B-2 (d) To receive and consider reports from the auditors: (i) as required by generally accepted accounting standards; and (ii) annually and by update as required by SEC Regulation S-X, regarding: (w) all critical accounting policies and practices of the Fund to be used; (x) alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management of the Fund, including ramifications of the use of such alternative disclosures and treatments, and

the treatment preferred by the auditors; (y) other material written communications between the auditors and management of the Fund, such as any management letter or schedule of unadjusted differences; and (z) all non-audit services provided to any entity in an investment company complex, as defined in SEC Regulation S-X, that were not pre-approved by the Committee pursuant to SEC Regulation S-X. (e) To consider the effect upon the Fund of any changes in accounting principles or practices proposed by management or the auditors. (f) In considering the independence of the auditors, to request from, and discuss with, the auditors a written statement, and other reports as necessary, describing all relationships between the auditors and the Fund, the Fund's investment adviser and service providers, and other entities advised or serviced by, including any entities controlling, controlled by or under common control with, the investment adviser or any other service providers to the Fund that, in the auditors' judgment, could be thought to bear upon the auditors' independence; to receive and consider, if applicable, periodic reports from the auditors regarding whether the provision of non-audit services is compatible with maintaining the auditors' independence; and to request from the auditors a certificate that they are independent auditors under the Federal securities laws and are in compliance with all standards adopted by the Independence Standards Board. (g) To require that the auditors regularly provide timely information to the Committee with respect to new rules and pronouncements by applicable regulatory and accounting standards agencies, along with an explanation of how such developments may affect the Fund's financial statements and accounting principles and practices. (h) To review, at such times and in the manner deemed appropriate by the Committee, the results of the annual audit of, and the report of the auditors on Fund's annual financial statements, including footnotes and any significant audit findings. (i) To consider any reports of difficulties that may have arisen during the course of the audit, including any limitations of the scope of the audit, and management's response thereto. (j) To review certifications of the Fund's Chief Executive Officer--Finance and Administration, and Chief Financial Officer and Chief Accounting Officer concerning (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Fund's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Fund's internal controls over financial reporting, and for any other purposes the Committee deems appropriate, as required by (S) 302 of the Sarbanes-Oxley Act. B-3 (k) To inform the chief legal officer ("CLO") and chief executive officer ("CEO") of the Fund (or the equivalents thereof) of any report of evidence of a material violation by the Fund, its officers, directors/trustees, employees (if any), or agents (collectively, "affiliates"). In connection therewith, the Committee shall: (i) determine whether an investigation is necessary regarding any report of evidence of a material violation by the Fund or its affiliates; (ii) if the Committee determines such an investigation is necessary or appropriate, (A) to notify the Board; (B) initiate an investigation, which may be conducted by either the CLO or by outside attorneys; and (C) retain such additional expert personnel as the Committee deems necessary to assist in the investigation; (iii) at the conclusion of any such investigation, (A) recommend by a majority vote, that the Fund implement an appropriate response (as defined in Section 205.2(b) of the Standards) to evidence of a material violation, and (B) inform the CLO and the CEO and the Board of the results of such investigation and the appropriate remedial measures to be adopted; (iv) acting by majority vote, take all other appropriate action, including the authority to notify the SEC in the event the Fund fails in any material respect to implement an appropriate response that the Committee has recommended the Fund to take; and (v) otherwise respond to evidence of a material violation. IV. Other Functions and Procedures of the Committee. (a) The Committee shall meet at least twice each year or more frequently, in open or executive sessions, as may be necessary to fulfill its responsibilities. The Committee shall meet as frequently as circumstances require with (i) the auditors as provided in III (c), above; and (ii) management's internal audit department to review and discuss internal audit functions and reports. The Committee may invite members of management, the auditors, counsel, advisers and others to attend its meetings as it deems appropriate. The Committee shall have separate sessions with the auditors, management and others, as and when it deems appropriate. (b) The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Fund or the Fund's adviser regarding accounting, internal accounting controls, or accounting matters relating to the Fund; and (ii) the confidential, anonymous submission by employees of the Fund or the Fund's adviser, administrator, principal underwriter or any other provider of accounting related services for the Fund, of concerns regarding questionable accounting or auditing matters. (c) The Committee shall have the authority to engage special counsel, experts and advisers as and when it determines necessary to carry out its duties and the Fund must provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to any auditors engaged for the purpose of

preparing or issuing an audit report or performing other audit, review or attest services for the Fund; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. (d) The Committee shall have unrestricted access to the Fund's management and management of the Fund's adviser, including, but not limited to, their chief executive officer(s), chief financial officer(s), internal auditors and any other executives and financial officers. B-4 (e) The Committee shall report its activities to the Board and make such recommendations as the Committee may deem necessary or appropriate. (f) The Committee shall review and assess the adequacy of this Charter annually, or more frequently if it chooses, and recommend any changes to the Board. ADDITIONAL STATEMENTS FOR CLOSED-END FUNDS ONLY (The provisions set forth in Appendix A hereto are intended to cover specific requirements and wording mandated by applicable Stock Exchange listing requirements.) B-5 APPENDIX A In addition to the purposes set forth above, the purposes of the Committee include: (a) preparation of the Audit Committee Disclosure Report required to be included in the Fund's annual proxy statement; and (b) the assistance of oversight, as either part of the full Board or as a Committee, of the Fund's compliance with legal and regulatory requirements. In addition to the powers and duties set forth above, the Committee shall have the following powers and duties to carry out its purposes: (a) To obtain and review a report by the auditors, at least annually, describing: (i) All relationships between the auditors and the Fund, the Fund's adviser, and any control affiliate of the adviser that provides ongoing services to the Fund; (ii) Any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (iii) The auditors' internal quality-control procedures; (b) To discuss generally, to the extent the Fund issues any earnings press releases or any financial information and earnings guidance provided to analysts and rating agencies, any such releases or information and guidance; (c) To discuss in a general manner, as either part of the full Board or as a Committee, the Fund's processes with respect to risk assessment and risk management; (d) To review and approve, as either part of the full Board or as a Committee, clear policies relating to the hiring by entities within Franklin Templeton Investments of employees or former employees of the auditors; (e) To evaluate, as either part of the full Board or as a Committee, its performance at least annually; and (f) Upon appointment of a member (i) to the Committee or (ii) to the audit committee of another public company, who simultaneously serves on the audit committees of three or more public companies, to request the Board to determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. The Committee shall comply with such other rules of the New York Stock Exchange, Inc., the American Stock Exchange and the U.S. Securities and Exchange Commission applicable to closed-end funds, as such may be adopted and amended from time to time. B-6 TLTDF PROXY 04/05 The Board of Directors unanimously recommends a vote FOR the Please Proposal. mark here for address |_| change or comment noted on proxy Proposal - Election of Directors. FOR all nominees WITHHOLD AUTHORITY listed (except as to vote for marked to the right) all nominees listed |_| |_| Nominees: 01 Harris J. Ashton, 02 Frank J. Crothers, 03 S. Joseph Fortunato and 04 Constantine D. Tseretopoulos To withhold authority to vote for any individual nominee, write that nominee's name on the line below.

_____ YES NO I PLAN
 TO ATTEND THE MEETING. |_| |_| Signature(s): _____ Dated _____, 2005 NOTE: Please sign exactly as your name appears on this Proxy. If signing for estates, trusts or corporations, title or capacity should be stated. If shares are held jointly, each holder should sign.

----- ^ FOLD AND DETACH HERE ^ TEMPLETON
 DRAGON FUND, INC. ANNUAL MEETING OF SHAREHOLDERS - MAY 20, 2005 The undersigned hereby revokes all previous proxies for his/her shares and appoints SHEILA M. BARRY, ROBERT C. ROSSELOT and LORI A. WEBER, and each of them, proxies of the undersigned with full power of substitution to vote all shares of Templeton Dragon Fund, Inc. (the "Fund") that the undersigned is entitled to vote at the Fund's Annual Meeting of Shareholders (the "Meeting") to be held at 500 East Broward Boulevard, 12th Floor, Fort Lauderdale, Florida 33394 at 12 Noon, Eastern time, on May 20, 2005, including any postponements or adjournments thereof, upon the matter set forth below and instructs them to vote upon any matters that may properly be acted upon at the Meeting. This Proxy is solicited on behalf of the Board of Directors. It will be voted as specified. If no specification is made, this Proxy shall be voted FOR the Proposal (including all nominees for director). If any other matters properly come before the Meeting to be voted on, the proxy holders will vote, act and consent on those matters in accordance with the views of

management. (Continued and to be marked, dated and signed, on the other side)

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access your Templeton Dragon Fund, Inc. account online. Access your Fund account online via Investor
ServiceDirect(R) (ISD). Mellon Investor Services LLC, Transfer Agent for the Fund, now makes it easy and
convenient to get current information on your shareholder account. o View account status o Make address changes o
View certificate history o Obtain a duplicate 1099 tax form o View book-entry information o Establish/change your
PIN o View payment history for dividends Visit us on the web at <http://www.melloninvestor.com> For Technical
Assistance Call 1-877-978-7778 between 9am-7pm Monday-Friday Eastern Time Investor ServiceDirect(R) is a
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