

TEMPLETON DRAGON FUND INC  
Form 40-17F2  
November 10, 2010

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:      Date Examination completed:

811-08394

July 20, 2010

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)

500 East Broward Blvd., Suite 2100, Fort Lauderdale, FL 33394-3091

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of:

Franklin Templeton Limited Duration Income Trust  
Templeton Global Investment Trust  
Franklin Real Estate Securities Trust  
Franklin Strategic Series  
Franklin High Income Trust  
Franklin Money Fund  
Franklin Templeton Money Fund Trust  
Institutional Fiduciary Trust  
Franklin Global Trust  
Franklin Gold and Precious Metals Fund  
Franklin Universal Trust  
Templeton China World Fund  
Templeton Emerging Markets Fund  
Templeton Emerging Markets Income Fund  
Templeton Global Income Fund  
Templeton Income Trust  
Franklin Custodian Funds  
Franklin Strategic Mortgage Portfolio  
Franklin Investors Securities Trust  
Franklin Templeton Global Trust  
Franklin Value Investors Trust  
Templeton Developing Markets Trust  
Franklin Templeton Fund Allocator Series  
Franklin Templeton Variable Insurance Products Trust  
Templeton Institutional Funds

and the Board of Directors of

Templeton Dragon Fund, Inc.  
Templeton Russia and East European Fund, Inc.

The Franklin Templeton Funds:

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 28, 2010. 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.

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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 28, 2010, and with respect to agreement of security purchases and sales, for the periods indicated in Attachment I:

- Without prior notice to management, confirmation of all securities held by Franklin Templeton Investors Services, Inc., transfer agent, 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 100 security purchases and 100 security sales, since our last report, from the books and records of the Funds to the records of the transfer agent.

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 28, 2010 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, management, the Board of Trustees and Board of Directors 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

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PricewaterhouseCoopers, LLP

San Francisco, California

July 20, 2010



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 28, 2010, and for the periods 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 28, 2010, and for the periods indicated in Attachment I, with respect to securities reflected in the investment accounts of the Funds.

By:

/S/ GASTON GARDEY

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Gaston Gardey

Chief Financial Officer and Chief Accounting Officer

Franklin Funds Board

7/13/10

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Date

/S/ MARK H. OTANI

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Mark H. Otani

Chief Financial Officer and Chief Accounting Officer

Templeton Funds Board

7/20/10

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Date

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/S/ MATTHEW T. HINKLE

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Matthew T. Hinkle

Chief Financial Officer and Chief Accounting Officer

Franklin New Jersey Funds Board

7/20/10

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Date

/S/ LAURA F. FERGERSON

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Laura F. Ferguson

Chief Executive Officer - Finance and Administration

7/15/10

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Date

Attachment I

Fund	Period
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Franklin Templeton Limited Duration Income Trust	October 31, 2009 - February 28, 2010
Templeton Global Investment Trust:	
Templeton BRIC Fund	October 31, 2009 - February 28, 2010
Templeton Emerging Markets Small Cap Fund	October 31, 2009 - February 28, 2010
Templeton Frontier Markets Fund	October 31, 2009 - February 28, 2010
Templeton Income Fund	October 31, 2009 - February 28, 2010

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Templeton Russia and East European Fund, Inc. October 31, 2009 - February 28, 2010

Franklin Real Estate Securities Trust:

Franklin Real Estate Securities Fund October 31, 2009 - February 28, 2010

Franklin Strategic Series:

Franklin Biotechnology Discovery Fund October 31, 2009 - February 28, 2010

Franklin Flex Cap Growth Fund October 31, 2009 - February 28, 2010

Franklin Focused Core Equity Fund October 31, 2009 - February 28, 2010

Franklin Growth Opportunities Fund October 31, 2009 - February 28, 2010

Franklin Natural Resources Fund October 31, 2009 - February 28, 2010

Franklin Small Cap Growth Fund October 31, 2009 - February 28, 2010

Franklin Small-Mid Cap Growth Fund October 31, 2009 - February 28, 2010

Franklin Strategic Income Fund October 31, 2009 - February 28, 2010

Franklin High Income Trust:

Franklin High Income Fund October 31, 2009 - February 28, 2010

Franklin Money Fund October 31, 2009 - February 28, 2010

Franklin Templeton Money Fund Trust:

Franklin Templeton Money Fund October 31, 2009 - February 28, 2010

Institutional Fiduciary Trust:

Money Market Portfolio

October 31, 2009 - February 28, 2010

Franklin Global Trust:

Franklin Large Cap Equity Fund

October 31, 2009 - February 28, 2010

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Franklin International Growth Fund	October 31, 2009 - February 28, 2010
Franklin Templeton Emerging Market Debt Opportunities Fund	October 31, 2009 - February 28, 2010
Franklin Gold and Precious Metals Fund	October 31, 2009 - February 28, 2010
Franklin Universal Trust	October 31, 2009 - February 28, 2010
Templeton China World Fund	October 31, 2009 - February 28, 2010
Templeton Emerging Markets Fund	October 31, 2009 - February 28, 2010
Templeton Emerging Markets Income Fund	October 31, 2009 - February 28, 2010
Templeton Global Income Fund	October 31, 2009 - February 28, 2010
Templeton Income Trust:	
Templeton Global Bond Fund	October 31, 2009 - February 28, 2010
Templeton Global Total Return Fund	October 31, 2009 - February 28, 2010
Templeton International Bond Fund	October 31, 2009 - February 28, 2010
Franklin Custodian Funds:	
Franklin DynaTech Fund	October 31, 2009 - February 28, 2010
Franklin Growth Fund	October 31, 2009 - February 28, 2010
Franklin Income Fund	October 31, 2009 - February 28, 2010
Franklin U.S. Government Securities Fund	October 31, 2009 - February 28, 2010

Franklin Utilities Fund

October 31, 2009 - February 28, 2010

Franklin Strategic Mortgage Portfolio

October 31, 2009 - February 28, 2010

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Franklin Investors Securities Trust:

Franklin Adjustable U.S. Government Securities Fund	October 31, 2009 - February 28, 2010
Franklin Balanced Fund	October 31, 2009 - February 28, 2010
Franklin Convertible Securities Fund	October 31, 2009 - February 28, 2010
Franklin Equity Income Fund	October 31, 2009 - February 28, 2010
Franklin Floating Rate Daily Access Fund	October 31, 2009 - February 28, 2010
Franklin Limited Maturity U.S. Government Securities Fund	October 31, 2009 - February 28, 2010
Franklin Low Duration Total Return Fund	October 31, 2009 - February 28, 2010
Franklin Total Return Fund	October 31, 2009 - February 28, 2010

Franklin Templeton Global Trust:

Franklin Templeton Hard Currency	October 31, 2009 - February 28, 2010
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Franklin Value Investors Trust:

Franklin All Cap Value Fund	October 31, 2009 - February 28, 2010
Franklin Balance Sheet Investment Fund	October 31, 2009 - February 28, 2010
Franklin Large Cap Value Fund	October 31, 2009 - February 28, 2010
Franklin MicroCap Value Fund	October 31, 2009 - February 28, 2010
Franklin MidCap Value Fund	October 31, 2009 - February 28, 2010
Franklin Small Cap Value Fund	October 31, 2009 - February 28, 2010

Templeton Developing Markets Trust

October 31, 2009 - February 28, 2010

Franklin Templeton Fund Allocator Series:

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Franklin Templeton 2015 Retirement Target Fund	October 31, 2009 - February 28, 2010
Franklin Templeton 2025 Retirement Target Fund	October 31, 2009 - February 28, 2010
Franklin Templeton 2035 Retirement Target Fund	October 31, 2009 - February 28, 2010
Franklin Templeton 2045 Retirement Target Fund	October 31, 2009 - February 28, 2010
Franklin Templeton Conservative Target Fund	October 31, 2009 - February 28, 2010
Franklin Templeton Corefolio Allocation Fund	October 31, 2009 - February 28, 2010
Franklin Templeton Founding Funds Allocation Fund	October 31, 2009 - February 28, 2010
Franklin Templeton Growth Target Fund	October 31, 2009 - February 28, 2010
Franklin Templeton Moderate Target Fund	October 31, 2009 - February 28, 2010
Franklin Templeton Perspectives Allocation Fund	October 31, 2009 - February 28, 2010

Franklin Templeton Variable Insurance Products Trust:

Franklin Flex Cap Growth Securities Fund	October 31, 2009 - February 28, 2010
Franklin Founding Funds Allocation Fund	October 31, 2009 - February 28, 2010
Franklin Large Cap Value Securities Fund	October 31, 2009 - February 28, 2010
Franklin Rising Dividends Securities Fund	October 31, 2009 - February 28, 2010
Franklin Small Cap Value Securities Fund	October 31, 2009 - February 28, 2010
Franklin Small-Mid Cap Growth Securities Fund	October 31, 2009 - February 28, 2010
Franklin Strategic Income Securities Fund	October 31, 2009 - February 28, 2010
Templeton Developing Markets Securities Fund	October 31, 2009 - February 28, 2010
Templeton Foreign Securities Fund	October 31, 2009 - February 28, 2010
Templeton Global Asset Allocation Fund	October 31, 2009 - February 28, 2010

Templeton Dragon Fund, Inc.

October 31, 2009 - February 28, 2010

Templeton Institutional Funds:

Foreign Equity Series

October 31, 2009 - February 28, 2010

Emerging Markets Series

October 31, 2009 - February 28, 2010

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