

TEMPLETON DRAGON FUND INC  
Form 40-17F2  
May 15, 2007

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

FORM N-17F-2

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

PURSUANT TO RULE N-17F-2

1. Investment Company Act File Number: 811-08632                      Date Examination completed: July 5, 2006

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 REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of

Franklin Global Trust  
Franklin Templeton Fund Allocator Series  
Franklin Universal Trust  
Franklin Floating Rate Trust  
Franklin Gold and Precious Metals Fund  
Franklin Strategic Mortgage Portfolio  
Franklin Templeton Limited Duration Income Trust  
Templeton Russia and East European Fund, Inc.  
Templeton Global Income Fund  
Templeton Emerging Markets Fund  
Templeton Emerging Markets Income Fund

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Templeton Capital Accumulator Fund  
Franklin Multi-Income Trust

and the Board of Directors of

Templeton Dragon Fund, Inc.  
Templeton Institutional Funds, Inc.

We have examined management's assertion, included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940, about the funds' (hereafter referred to as the "Funds") compliance (see Attachment I) with the requirements of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 ("the Act") as of July 31, 2004. Management is responsible for the Funds' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Funds' compliance based on our examination.

Our examination was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included examining, on a test basis, evidence about the Funds' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of July 31, 2004, and with respect to agreement of security purchases and sales, for the periods indicated in Attachment I:

- o Inspection of the records of Franklin Templeton Investors Services, Inc. as they pertain to the security positions owned by the Funds and held in book entry form.
- o Reconciliation of such security positions to the books and records of the Funds.
- o Agreement of a sample of security purchases and sales since our last report to the books and records of the Funds.

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 July 31, 2004 with respect to securities reflected in the investment accounts of the Funds is fairly stated, in all material respects.

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

/s/PricewaterhouseCoopers LLP  
San Francisco, California  
July 5, 2006

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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 July 31, 2004, 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 July 31, 2004, and for the periods indicated in Attachment I, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/ Galen G. Vetter  
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GALEN G. VETTER  
CHIEF FINANCIAL OFFICER

6/21/06  
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Date

/s/ Jimmy D. Gambill  
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JIMMY D. GAMBILL  
SENIOR VICE PRESIDENT AND CHIEF EXECUTIVE  
OFFICER-FINANCE AND ADMINISTRATION

6/26/06  
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Date

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ATTACHMENT I

| FUND  | PERIODS COVERED                 |
|---|---------------------------------|
| FRANKLIN GLOBAL TRUST:                                |                                 |
| Fiduciary European Smaller Companies Fund             | April 30, 2004-July 31, 2004    |
| Fiduciary Large Capitalization Growth and Income Fund | April 30, 2004-July 31, 2004    |
| Fiduciary Small Capitalization Equity Fund            | April 30, 2004-July 31, 2004    |
| Fiduciary Core Fixed Income Fund                      | April 30, 2004-July 31, 2004    |
| Fiduciary Core Plus Fixed Income Fund                 | April 30, 2004-July 31, 2004    |
| Fiduciary High Income Fund                            | April 30, 2004-July 31, 2004    |
| FRANKLIN TEMPLETON FUND ALLOCATOR SERIES:             |                                 |
| Franklin Templeton Conservative Target Fund           | February 29, 2004-July 31, 2004 |
| Franklin Templeton Moderate Target Fund               | February 29, 2004-July 31, 2004 |
| Franklin Templeton Growth Target Fund                 | February 29, 2004-July 31, 2004 |
| Franklin Templeton Corefolio Allocation Fund          | February 29, 2004-July 31, 2004 |
| Franklin Templeton Founding Funds Allocation Fund     | February 29, 2004-July 31, 2004 |
| FRANKLIN UNIVERSAL TRUST                              | March 31, 2004-July 31, 2004    |
| FRANKLIN FLOATING RATE TRUST                          | February 29, 2004-July 31, 2004 |
| FRANKLIN GOLD AND PRECIOUS METALS FUND                | April 30, 2004-July 31, 2004    |
| FRANKLIN STRATEGIC MORTGAGE PORTFOLIO                 | March 31, 2004-July 31, 2004    |
| FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST      | March 31, 2004-July 31, 2004    |
| TEMPLETON RUSSIA AND EAST EUROPEAN FUND, INC.         | March 31, 2004-July 31, 2004    |
| TEMPLETON GLOBAL INCOME FUND                          | March 31, 2004-July 31, 2004    |
| TEMPLETON EMERGING MARKETS FUND                       | March 31, 2004-July 31, 2004    |
| TEMPLETON EMERGING MARKETS INCOME FUND                | March 31, 2004-July 31, 2004    |
| TEMPLETON CAPITAL ACCUMULATOR FUND                    | March 31, 2004-July 31, 2004    |
| TEMPLETON DRAGON FUND, INC.                           | March 31, 2004-July 31, 2004    |
| FRANKLIN MULTI-INCOME TRUST                           | May 31, 2004-July 31, 2004      |
| TEMPLETON INSTITUTIONAL FUNDS, INC.:                  |                                 |
| Foreign Equity Series                                 | March 31, 2004-July 31, 2004    |
| Emerging Fixed Income Series                          | March 31, 2004-July 31, 2004    |