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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: 811-08394 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 Templeton Fund Allocator Series
Franklin Templeton Variable Insurance Products Trust
Franklin Global Trust
Franklin Strategic Series
Franklin Universal Trust
Franklin Strategic Mortgage Portfolio
Franklin Gold and Precious Metals Fund
Franklin Capital Growth Fund
Institutional Fiduciary Trust
Franklin High Income Trust
Franklin Real Estate Securities Trust
Franklin Templeton Limited Duration Income Trust
Templeton Russia and East European Fund, Inc.
Templeton Emerging Markets Fund

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Templeton Global Income Fund
Templeton Emerging Markets Income Fund
Franklin Templeton Money Fund Trust
Franklin Investors Securities Trust
Franklin Value Investors Trust
Templeton Global Investment Trust

and the Board of Directors of

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

We have examined management's assertion, included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940, 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 September 30, 2005. 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 September 30, 2005, and with respect to agreement of security purchases and sales, for the period from July 31, 2005 (the date of our last examination), through September 30, 2005:

- 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 September 30, 2005 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
PricewaterhouseCoopers LLP

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San Francisco, California
July 5, 2006

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 September 30, 2005, and for the period from July 31, 2005 through September 30, 2005.

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 September 30, 2005, and for the period from July 31, 2005 through September 30, 2005, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/ Galen G. Vetter

GALEN G. VETTER
CHIEF FINANCIAL OFFICER

6/21/06

Date

/s/ Jimmy D. Gambill

JIMMY D. GAMBILL
SENIOR VICE PRESIDENT AND CHIEF EXECUTIVE
OFFICER-FINANCE AND ADMINISTRATION

6/26/06

Date

ATTACHMENT I

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FUND

FRANKLIN TEMPLETON FUND ALLOCATOR SERIES: 7/31/05-9/30/05
Franklin Templeton Conservative Target Fund
Franklin Templeton Moderate Target Fund
Franklin Templeton Growth Target Fund
Franklin Templeton Corefolio Allocation Fund
Franklin Templeton Perspectives Allocation Fund
Franklin Templeton Founding Funds Allocation Fund

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST: 7/31/05-9/30/05
Franklin Strategic Income Securities Fund
Franklin Small Cap Value Securities Fund
Franklin Rising Dividends Fund
Franklin Small-Mid Cap Growth Securities Fund
Templeton Global Asset Allocation Fund
Templeton Foreign Securities Fund
Franklin Flex Cap Growth Securities Fund
Franklin Large Cap Value Securities Fund

FRANKLIN GLOBAL TRUST: 7/31/05-9/30/05
Fiduciary High Income Fund
Fiduciary Core Fixed Income Fund
Fiduciary Small Capitalization Equity Fund
Fiduciary Large Capitalization Growth and Income Fund
Fiduciary European Smaller Companies Fund
Fiduciary Core Plus Fixed Income Fund

FRANKLIN STRATEGIC SERIES: 7/31/05-9/30/05
Franklin Aggressive Growth Fund
Franklin U.S. Long-Short Fund
Franklin Natural Resources Fund
Franklin Biotechnology Discovery Fund
Franklin Blue Chip Fund
Franklin Global Health Care Fund
Franklin Global Communications Fund
Franklin Strategic Income Fund
Franklin Flex Cap Growth Fund
Franklin Technology Fund
Franklin Small Cap Growth Fund II
Franklin Small-Mid Cap Growth Fund

FRANKLIN UNIVERSAL TRUST 7/31/05-9/30/05
FRANKLIN STRATEGIC MORTGAGE PORTFOLIO 7/31/05-9/30/05
FRANKLIN GOLD AND PRECIOUS METALS FUND 7/31/05-9/30/05
FRANKLIN CAPITAL GROWTH FUND 7/31/05-9/30/05

INSTITUTIONAL FIDUCIARY TRUST: 7/31/05-9/30/05
Money Market Portfolio
Franklin Cash Reserves Fund
Franklin Structured Large Cap Growth Equity Fund
Franklin Structured Large Cap Core Equity Fund

FRANKLIN HIGH INCOME TRUST: 7/31/05-9/30/05
Franklin AGE High Income Fund

FRANKLIN REAL ESTATE SECURITIES TRUST:
Franklin Real Estate Securities Fund

FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST 7/31/05-9/30/05
TEMPLETON RUSSIA AND EAST EUROPEAN FUND, INC. 7/31/05-9/30/05

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TEMPLETON EMERGING MARKETS FUND	7/31/05-9/30/05
TEMPLETON GLOBAL INCOME FUND	7/31/05-9/30/05
TEMPLETON EMERGING MARKETS INCOME FUND	7/31/05-9/30/05
FRANKLIN TEMPLETON MONEY FUND TRUST Franklin Templeton Money Fund	7/31/05-9/30/05
FRANKLIN INVESTORS SECURITIES TRUST: Franklin Floating Rate Daily Access Fund Franklin Total Return Fund Franklin Limited Maturity U.S. Government Securities Fund Franklin Convertible Securities Fund Franklin Equity Income Fund Franklin Low Duration Total Return Fund Franklin Adjustable U.S. Government Securities Fund	7/31/05-9/30/05
FRANKLIN VALUE INVESTORS TRUST: Franklin Balance Sheet Investment Fund Franklin MicroCap Value Fund Franklin Small Cap Value Fund Franklin Large Cap Value Fund Franklin Mid Cap Value Fund	7/31/05-9/30/05
TEMPLETON GLOBAL INVESTMENT TRUST Templeton Income Fund	7/31/05-9/30/05
FRANKLIN FEDERAL MONEY FUND	7/31/05-9/30/05
FRANKLIN MONEY FUND	7/31/05-9/30/05
FRANKLIN CUSTODIAN FUNDS, INC.: Franklin Growth Fund Franklin Utilities Fund Franklin DynaTech Fund Franklin Income Fund Franklin U.S. Government Securities Fund	7/31/05-9/30/05
TEMPLETON DRAGON FUND, INC.	7/31/05-9/30/05
TEMPLETON INSTITUTIONAL FUNDS, INC.: Foreign Equity Series	7/31/05-9/30/05