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TEMPLETON DRAGON FUND INC
Form SC TO-C
March 19, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
(Rule 14d-100)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

Templeton Dragon Fund, Inc.

(Name of Subject Company (Issuer))

Templeton Dragon Fund, Inc. (Issuer)

(Names of Filing Persons (Identifying Status as Offeror, Issuer or Other Person))

Common Stock

(Title of Class of Securities)

88018T101

(CUSIP Number of Class of Securities)

Barbara J. Green, Esq.
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Broward Financial Centre
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Tel (954) 527-7500

(Name, Address and Telephone Numbers of Person
Authorized to Receive Notices and Communications on Behalf of Filing Persons)

COPY TO:

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CALCULATION OF FILING FEE

Transaction Valuation*

Amount of Filing Fee*

not applicable

not applicable

* As the filing contains only preliminary communications made before the commencement of the tender offer, no filing fee is required.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)

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(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable Filing Party: Not applicable

Form or Registration No.: Not applicable Date Filed: Not applicable

[X] Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

[] third-party tender offer subject to Rule 14d-1.

[X] issuer tender offer subject to Rule 13e-4.

[] going-private transaction subject to Rule 13e-3.

[] amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: []

TEMPLETON VIETNAM AND SOUTHEAST ASIA FUND, INC.

TEMPLETON DEVELOPING MARKETS TRUST

TEMPLETON DRAGON FUND, INC.

Broward Financial Centre
500 E. Broward Blvd.
Suite 2100

FRANKLIN (R) TEMPLETON (R)
INVESTMENTS

Ft. Lauderdale, FL 33394-3091
Tel 954-527-7500

FOR IMMEDIATE RELEASE:

For more information, please contact Franklin Templeton Investments at 1-800-342-5236. Members of the media should contact Franklin Templeton Corporate Communications at 650-312-3395.

TEMPLETON VIETNAM AND SOUTHEAST ASIA FUND, INC. AND TEMPLETON DEVELOPING MARKETS TRUST ANNOUNCE PROPOSED REORGANIZATION

TEMPLETON VIETNAM AND SOUTHEAST ASIA FUND, INC. AND TEMPLETON DRAGON FUND, INC.

ANNOUNCE THAT THEIR PROPOSED REORGANIZATION WILL NOT PROCEED

Ft. Lauderdale, Florida, March 19, 2002. The Board of Directors of Templeton Vietnam and Southeast Asia Fund, Inc. ("Vietnam Fund") (NYSE:TVE) today announced that it approved a proposal providing for the reorganization of Vietnam Fund into Templeton Developing Markets Trust ("Developing Markets

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Trust"), a registered open-end management investment company. The proposed reorganization involves Developing Markets Trust's acquisition of substantially all of the assets of Vietnam Fund in exchange for Advisor Class shares of Developing Markets Trust, and the distribution of Advisor Class shares of Developing Markets Trust to shareholders of Vietnam Fund as a part of the liquidation and dissolution of Vietnam Fund. This transaction, which is expected to be tax-free, is subject to the approval of the shareholders of Vietnam Fund. If approved, shares will be exchanged based on the respective net asset values of Vietnam Fund and Advisor Class shares of Developing Markets Trust.

It is currently anticipated that, during the six months after the reorganization, former Vietnam Fund shareholders who redeem Advisor Class shares of Developing Markets Trust received in the reorganization, will pay a redemption fee of up to 2%. This redemption fee will be paid to Developing Markets Trust to help defray the transaction costs associated with such a redemption. To help preserve the tax-free status of the proposed reorganization with Developing Markets Trust, the previously announced discontinuation of Vietnam Fund's open-market share repurchase program remains in effect.

The Boards of Directors of Vietnam Fund and Templeton Dragon Fund, Inc. ("Dragon Fund") (NYSE: TDF) also today announced that the previously announced reorganization of Vietnam Fund into Dragon Fund, also a closed-end fund, will not proceed. Dragon Fund's Board of Directors also announced that the tender offers that it previously approved will proceed, but that it will consider whether to make any modifications to the terms and timing of the tender offers, including increasing the amount of the first tender offer or combining the first and second tender offers. Dragon Fund's Board of Directors previously announced the approval of a tender offer for up to 10% of Dragon Fund's outstanding shares to be made at not less than 90% of net asset value during an initial 12-month period, to be followed by one or more subsequent tender offers aggregating up to 10% of outstanding Dragon Fund shares during the following 12-month period. Dragon Fund's Board of Directors also may consider recommending additional tender offers in subsequent time periods, depending upon market conditions and regulatory and tax considerations. The commencement of the first tender offer is no longer dependent upon the shareholder vote of Dragon Fund shareholders and Vietnam Fund shareholders because the previously announced reorganization of Vietnam Fund into Dragon Fund will not proceed. In any event, the first tender offer for Dragon Fund shares will commence no later than 90 days following April 30, 2002. The previously announced discontinuation of Dragon Fund's managed distribution policy remains in effect.

Vietnam Fund's Board of Directors plans to submit the proposed reorganization of Vietnam Fund into Developing Markets Trust to Vietnam Fund's shareholders at a special meeting, currently expected to take place by late Summer 2002. Any solicitation of proxies by Vietnam Fund in connection with its shareholder meeting will be made only pursuant to separate proxy materials filed under federal securities laws. It is anticipated that these materials will be available in Summer 2002. There can be no assurances that the shareholders of Vietnam Fund will vote in favor of the proposed reorganization.

Vietnam Fund is designed for investors seeking long-term capital appreciation. Under normal market conditions, Vietnam Fund invests primarily in the equity and debt securities of "Region Country" issuers. Region Countries currently include Vietnam, China, Hong Kong, India, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, South Korea, Taiwan and Thailand. Vietnam Fund currently has total assets of approximately \$41 million. Developing Markets Trust is designed for investors seeking long-term capital appreciation. Under normal market conditions, Developing Markets Trust invests its assets mainly in a portfolio of equity securities of developing market companies. Developing Markets Trust currently has total assets of approximately \$1.5 billion. Dragon Fund is designed for investors seeking long-term capital appreciation and, under normal market conditions, invests at least 45% of its total assets in the equity

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securities of "China companies." In addition, under normal conditions, Dragon Fund will invest at least 65% of its total assets in "China companies," "Japan companies" and "Asia-Pacific companies" combined. Dragon Fund currently has total assets of approximately \$439 million.

Templeton Asset Management Ltd., the investment adviser for Vietnam Fund, Developing Markets Trust and Dragon Fund, is an indirect wholly owned subsidiary of Franklin Resources, Inc. (NYSE: BEN), a global investment organization operating as Franklin(R)Templeton(R)Investments. Franklin(R)Templeton(R)Investments provides global and domestic investment management services through its Franklin, Templeton, Mutual Series and Fiduciary Trust subsidiaries. The San Mateo, CA-based company has over 50 years of investment experience and over \$266 billion in assets under management as of February 28, 2002. For more information, please call 1-800-DIAL BEN(R).

In connection with the proposed reorganization transaction, Vietnam Fund and Developing Markets Trust intend to file relevant materials with the U.S. Securities and Exchange Commission ("SEC"), including a Form N-14 combined proxy statement for Vietnam Fund and registration statement for Developing Markets Trust that contains a prospectus. Because those documents contain important information, Vietnam Fund shareholders are urged to read them, if and when they become available. When filed with the SEC, they will be available for free at the SEC's website, www.sec.gov. Vietnam Fund shareholders can also obtain copies of these documents and other transaction-related documents, when available, for free by calling Vietnam Fund at 1-800-342-5236.

Vietnam Fund, its directors and executive officers and certain other persons, may be deemed to be participants in Vietnam Fund's solicitation of proxies from its shareholders in connection with the proposed transaction. Information about the directors is set forth in the proxy statement for Vietnam Fund's 2001 Annual Meeting of Shareholders. Participants in Vietnam Fund's solicitation may also be deemed to include the following executive officers or other persons whose interests in Vietnam Fund may not be described in the proxy statement for Vietnam Fund's 2001 annual meeting: Mark Mobius (President); Charles B. Johnson (Vice President); Rupert H. Johnson, Jr. (Vice President); Harmon E. Burns (Vice President); Charles E. Johnson (Vice President); Martin L. Flanagan (Vice President); Jeffrey A. Everett (Vice President); John R. Kay (Vice President); Murray L. Simpson (Vice President and Asst. Secretary); Barbara J. Green (Vice President and Secretary); David P. Goss (Vice President and Asst. Secretary); Bruce S. Rosenberg (Treasurer); and Holly Gibson Brady (Director of Corporate Communications - Franklin Resources, Inc.).

Developing Markets Trust, its trustees and executive officers and certain other persons, may be deemed to be participants in Developing Markets Trust's solicitation of proxies, if any, from its shareholders in connection with the proposed transaction. Information about the trustees is set forth in the statement of additional information for Developing Markets Trust dated May 1, 2001, as supplemented January 1, 2002. Participants in Developing Markets Trust's solicitation may also be deemed to include the following executive officers or other persons whose interests in Developing Markets Trust may not be described in the statement of additional information for Developing Markets Trust, dated May 1, 2001, as supplemented January 1, 2002: Mark Mobius (President); Charles B. Johnson (Vice President); Rupert H. Johnson, Jr. (Vice President); Harmon E. Burns (Vice President); Charles E. Johnson (Vice President); Martin L. Flanagan (Vice President); Jeffrey A. Everett (Vice President); John R. Kay (Vice President); Murray L. Simpson (Vice President and Asst. Secretary); Barbara J. Green (Vice President and Secretary); David P. Goss (Vice President and Asst. Secretary); Bruce S. Rosenberg (Treasurer); and Holly Gibson Brady (Director of Corporate Communications - Franklin Resources, Inc.).

As of the date of this communication, none of the foregoing participants individually beneficially owns in excess of 1% of Vietnam Fund's common stock or

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1% of the total number of outstanding shares of beneficial interest of Developing Markets Trust. As of December 3, 2001, the officers and trustees of Developing Markets Trust, as a group, owned of record and beneficially less than 14.40% of the outstanding Advisor Class shares and less than 1% of the other classes of Developing Markets Trust. To the knowledge of Vietnam Fund and Developing Markets Trust, respectively, none of their respective directors, trustees, or executive officers has any interest, direct or indirect, by security holdings or otherwise in Vietnam Fund or Developing Markets Trust, respectively, except as set forth in the proxy statement relating to the Vietnam Fund's 2001 Annual Meeting of Shareholders, the statement of additional information for Developing Markets Trust, dated May 1, 2001, as supplemented January 1, 2002, or as otherwise disclosed above.

Shareholders may obtain additional information regarding the interests of the participants by reading the proxy statement of Vietnam Fund and the proxy statement and prospectus of Developing Markets Trust if and when they become available.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Dragon Fund shareholders are advised to read the tender offer statement when it is available as it will contain important information. The tender offer statement, when it is available, and other documents filed by Dragon Fund with the SEC, including Dragon Fund's most recent annual report, will be available for free at the SEC's web site (www.sec.gov) or by calling Dragon Fund at 1-800-342-5236.

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