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TEMPLETON DRAGON FUND INC
Form SC TO-C
March 20, 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.
Templeton Dragon Fund, Inc.
Broward Financial Centre
500 E. Broward Blvd., Suite 2100
Ft. Lauderdale, FL 33394-3091
Tel (954) 527-7500

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

COPY TO:

Bruce G. Leto, Esq.
Stradley, Ronon, Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103-7098
Tel (215) 564-8000

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 PROPOSED REORGANIZATION WILL NOT PROCEED

MARCH 19, 2002 -- PRESS RELEASE Q's AND A's

EXCERPTS RELATING TO DRAGON FUND TENDER OFFER:

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Q: What actions did the Boards of Directors take on March 19, 2002?

Dragon Fund Board Affirmed Tender Offers.

Although it was determined that the reorganization of Dragon Fund into Vietnam Fund would not proceed, Dragon Fund's Board determined that the previously announced tender offers 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. The Dragon Fund Board previously announced a tender offer for up to 10% of Dragon Fund's outstanding shares 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 may recommend additional tender offers in subsequent 12-month periods, depending upon market conditions and regulatory and tax considerations.

Dragon Fund Board Affirmed Discontinuation of Managed Distribution Policy.

The managed distribution policy is still discontinued due to tax considerations relating to Dragon Fund's tender offer program.

Q: When is the initial tender offer of Dragon Fund shares expected to occur?

A: The first tender offer for Dragon Fund shares will commence within 90 days following April 30, 2002 (i.e., on or before July 29, 2002).

Q: What is a "tender offer"?

A: A "tender offer" is an offer by a company to buy its own shares, for cash, at a designated price per share. Shareholders are free to sell, or "tender," their shares at their election, in the amount they choose, subject to the terms of the offer. Shareholders that tender shares should consult with their advisors regarding the tax or other implications of the transaction.

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Q: How will Dragon Fund shareholders be notified about the commencement of the tender offer for shares of Dragon Fund?

A: A press release will be issued once the tender offer has commenced. When available, Dragon Fund shareholders also will receive written tender offer materials, including a tender offer statement, which will provide detailed information about the tender offer. Shareholders are urged to read these materials.

Q: Why is the Dragon Fund's managed distribution policy still discontinued?

A: Effective January 4, 2002, Dragon Fund's Board of Directors discontinued the Dragon Fund's managed distribution program, in part, to facilitate compliance with the requirements that would have applied if the proposed Dragon Fund/Vietnam Fund merger were to qualify as a tax-free reorganization. The Board believes that the discontinuance of the Dragon Fund's managed distribution program remains appropriate in view of the Board's commitment to continue the Dragon Fund's tender offer program. Specifically, if the managed distribution program were to remain in effect

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any increased sale of portfolio securities necessary to meet the cash needs of the two programs could result in a greater proportion of any distribution under the managed distribution program being treated as ordinary income as opposed to a tax-free return of capital.

Description of the managed distribution policy. In July 1998, the Dragon Fund Board of Directors approved the implementation of a managed distribution policy under which approximately 10% of the Fund's average net asset value would be distributed to Fund shareholders on an annual basis. Under this distribution policy, the Fund made quarterly distributions to Fund shareholders equal to 2.5% of the Fund's net asset value at the close of the NYSE on the Friday prior to each distribution's declaration date. If the total amount distributed exceeded the Fund's aggregate net investment income and net realized capital gains with respect to a given year, the excess amount distributed generally constituted a return of capital to shareholders. The Fund was granted an order from the Securities and Exchange Commission on February 9, 1999 that permitted the Fund to use realized capital gains when making the quarterly distributions, which began under this policy on September 15, 1998.

The Dragon Fund's last distribution pursuant to the managed distribution policy was paid on December 24, 2001 to shareholders of record on December 13, 2001. The Dragon Fund Board may recommend similar programs in the future, depending upon market conditions and regulatory and tax considerations. Of course there can be no assurance that they will do so.

* * * * *

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.