

WESTERN ASSET PREMIER BOND FUND  
Form DEF 14A  
April 26, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Western Asset Premier Bond Fund  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:

(4)

Date Filed:

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WESTERN ASSET PREMIER BOND FUND

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 30, 2012**

*To the Shareholders of  
Western Asset Premier Bond Fund*

The Annual Meeting of Shareholders of Western Asset Premier Bond Fund (the "Fund") will be held in the Board Room, Fifth Floor, 385 E. Colorado Boulevard, Pasadena, California, on Wednesday, May 30, 2012 at 8:30 a.m., Pacific time, to consider and act upon the following matters:

1. Election of five Trustees by holders of the Fund's common shares and preferred shares voting together as a single class;
2. Election of two Trustees by holders of the Fund's preferred shares voting separately as a class; and
3. Such other matters as may properly come before the meeting and any adjournment(s) or postponement(s) thereof.

The Board of Trustees has fixed the close of business on April 18, 2012 as the record date for the determination of shareholders entitled to receive notice of and to vote at the Annual Meeting and any adjournment(s) or postponement(s) thereof.

By Order of the Board of Trustees

Robert I. Frenkel,  
Secretary

Pasadena, California  
April 26, 2012

**SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON ARE URGED TO DATE, FILL IN, SIGN AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

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WESTERN ASSET PREMIER BOND FUND

385 East Colorado Boulevard, Pasadena, California 91101

**PROXY STATEMENT**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 30, 2012:**

**The proxy statement is available at <http://www.Kingproxy.com/leggmason>**

The accompanying proxy is solicited by the Board of Trustees of the Fund for use at the annual meeting of shareholders of the Fund to be held on May 30, 2012 at 8:30 a.m., Pacific time, in the Board Room, Fifth Floor, 385 E. Colorado Boulevard, Pasadena, California (the "Annual Meeting"), and at any adjournment(s) or postponement(s) thereof. At the Annual Meeting, shareholders of the Fund will be asked to consider the election of seven Trustees to the Board of Trustees of the Fund. This Proxy Statement and the form of proxy were first mailed to shareholders on or about May 2, 2012.

The Board of Trustees has fixed the close of business on April 18, 2012 as the record date ("Record Date") for the determination of shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment(s) or postponement(s) thereof. As of the Record Date, the Fund had issued and outstanding 11,841,260 common shares of beneficial interest, no par value ("Common Shares"), and 2,880 preferred shares of beneficial interest, no par value ("Preferred Shares" and, together with the Common Shares, the "Shares"). The Common Shares and Preferred Shares are the only classes of shares currently authorized by the Fund.

Shareholders of the Fund as of the Record Date will be entitled to one vote for each Share held, and a fractional vote with respect to fractional Shares, on each matter to which they are entitled to vote, with no cumulative voting rights.

The Fund's Declaration of Trust, as amended, (the "Declaration of Trust") provides that the Board of Trustees will consist of such number of Trustees as may be fixed from time to time by a majority of the Trustees, which number is currently seven. Holders of the Common Shares ("Common Shareholders") and holders of the Preferred Shares ("Preferred Shareholders") will vote as a single class on the election of five of the Trustees (the "Common/Preferred Trustees"). Pursuant to the Fund's Bylaws and the Investment Company Act of 1940, as amended (the "1940 Act"), Preferred Shareholders, voting as a single class, have the right to elect two Trustees of the Fund (the "Preferred Trustees," and together with the Common/Preferred Trustees, the "Trustees"). The Board has designated Ronald L. Olson and R. Jay Gerken as nominees to be elected by the Preferred Shareholders. Messrs. Olson and Gerken are both currently Trustees of the Fund. The Common Shareholders do not have the right to vote with respect to the election of Messrs. Olson and Gerken.

Thirty percent of the total Shares of the Fund entitled to vote at the Annual Meeting must be represented in person or by proxy to constitute a quorum for the election of the Common/Preferred Trustees. Thirty percent of the Preferred Shares entitled to vote at the Annual Meeting must be represented in person or by proxy to constitute a quorum for the election of the Preferred Trustees. Each shareholder has the right to revoke his or her



proxy at any time before it is voted. A proxy may be revoked by filing with the Secretary of the Fund a written revocation or a properly executed proxy bearing a later date or by voting in person at the Annual Meeting. Any shareholder may attend the Annual Meeting, whether or not he or she has previously given a proxy.

The solicitation of proxies for the Annual Meeting will be made primarily by mail. However, additional solicitation may take place in writing or by telephone or personal interview by officers of the Fund (or their designees), who will not receive compensation from the Fund for such services. In addition, you may receive a telephone call from our proxy solicitor, D.F. King & Co., Inc. ("D.F. King"), which has been retained to assist shareholders in the voting process. For these services, the Fund will pay D.F. King a fee that is not expected to exceed \$5,000. However, the exact cost will depend on the amount and types of services rendered. The Fund will reimburse brokers and other nominees, in accordance with New York Stock Exchange approved reimbursement rates, for their expenses in forwarding solicitation material to the beneficial owners of shares of the Fund. All expenses incurred in connection with the solicitation of proxies, including the services of D.F. King, will be borne by the Fund.

Abstentions and "broker non-votes" (i.e., proxies signed and returned by brokers with respect to Shares held by brokers or nominees as to which one or more votes is not indicated because (i) instructions have not been received from the beneficial owners or the persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) will be counted as Shares present for purposes of determining whether a quorum is present, but will not be counted as having been voted on the matter in question. Assuming that a quorum would otherwise be present, abstentions and broker non-votes will accordingly have no effect for the purpose of determining whether a Trustee has been elected.

Charles A. Ruys de Perez, Erin K. Morris, and Richard Wachterman, the persons named as proxies on the proxy card accompanying this Proxy Statement, were selected by the Board of Trustees to serve in such capacity or substituted by the persons selected by the Board of Trustees. Mr. Ruys de Perez is the General Counsel of Western Asset Management Company, the Fund's investment adviser (the "Investment Adviser"). Ms. Morris is the Treasurer of the Fund, and Mr. Wachterman is Assistant Secretary of the Fund. Each executed and returned proxy will be voted in accordance with the directions indicated thereon or, if no direction is indicated, such proxy will be voted for the election as Trustees of the Fund the Board of Trustees' nominees listed in this proxy statement. Discretionary authority is provided in the proxy as to any matters not specifically referred to therein. The Board of Trustees is not aware of any other matters which are likely to be brought before the Annual Meeting. However, if any such matters properly come before the Annual Meeting, the persons named in the proxy are fully authorized to vote thereon in accordance with their judgment and discretion. Except where a different vote is required by any provision of law or the Declaration of Trust or Bylaws, a plurality of a quorum of the Shares necessary for the transaction of business at a shareholders' meeting will decide any question.

### **HOW TO SUBMIT A PROXY**

Shareholders of record may complete, sign, and date the proxy card and return it in the prepaid envelope provided.



**PROPOSAL 1**  
**ELECTION OF COMMON/PREFERRED TRUSTEES**

Five Common/Preferred Trustees are to be elected at the Annual Meeting to serve until their successors have been duly elected and qualified, subject to prior death, resignation, retirement, disqualification or removal from office and applicable law. Information about each such nominee is set forth in the table below. Each such nominee is presently a Trustee of the Fund.

It is the intention of the persons designated as proxies in the proxy card, unless otherwise directed therein, to vote at the Annual Meeting for the election of each of Ronald J. Arnault, Anita L. DeFrantz, Avedick B. Poladian, William E.B. Siart, and Jaynie Miller Studenmund as Common/Preferred Trustees of the Fund. Each such nominee has agreed to serve if elected at the Annual Meeting. If any such nominee is unable or unavailable to serve, the persons named in the proxies will vote the proxies for such other person as the Board of Trustees may recommend for the position of Common/Preferred Trustee.

**Required Vote.** The Common/Preferred Trustees of the Fund will be elected by a plurality vote of the Common Shares and the Preferred Shares voted together as a single class on the election of Common/Preferred Trustees at the Annual Meeting, in person or by proxy. The Trustees unanimously recommend that shareholders vote to elect each of Ronald J. Arnault, Anita L. DeFrantz, Avedick B. Poladian, William E.B. Siart, and Jaynie Miller Studenmund to the Board of Trustees as a Common/Preferred Trustee.

**Information Regarding the Nominees.** Information about the nominees is set forth below. Except for Mr. Gerken, who serves as the Fund's President and Chief Executive Officer, no nominee serves as an officer of the Fund. The address of each nominee is c/o the Fund at its principal business address (385 East Colorado Boulevard, Pasadena, California 91101).

Name	Position(s) Held	Term of Office and Length of Time Served*	Principal Occupations During the Past 5 Years	Number of Portfolios In Fund Complex Overseen by Nominee**	Other Directorships Held by Nominee	Common Shares of the Fund Beneficially Owned on March 1, 2012
<b>INDEPENDENT NOMINEES</b>						
Ronald J. Arnault	Trustee	Served since 2002	Retired.	13	None	None
<small>(1) (2) (3)</small> Born 1943						
Anita L. DeFrantz	Trustee	Served since 2002	President (1987-present) and Director (1990-present) of LA84 (formerly Amateur	13	OBN Holdings, Inc. (film, television and media company)	None
<small>(1) (2) (3)</small>						

Born  
1952

Athletic Foundation of Los Angeles); President and Director of Kids in Sports (1994-present); Vice President, International Rowing Federation (1986-present); Member of the International Olympic Committee (1986-present).

<b>Name</b>	<b>Position(s) Held and With Fund</b>	<b>Term of Office and Length of Time Served*</b>	<b>Principal Occupations During the Past 5 Years</b>	<b>Number of Portfolios In Fund Complex Overseen by Nominee**</b>	<b>Other Directorships Held by Nominee</b>	<b>Common Shares of the Fund Beneficially Owned on March 1, 2012</b>
Avedis B. Poladian Born 1951	Trustee (1) (2) (3)	Served since 2007	Executive Vice President and Chief Operating Officer of Lowe Enterprises, Inc. (real estate and hospitality firm) (2002-present); Partner, Arthur Andersen, LLP (1974-2002).	13	Occidental Petroleum Corporation and Public Storage	None
William E. B. Siart Born 1946	Trustee and Chairman (1) (2) (3)	Served since 2002	Trustee of The Getty Trust (2005-present); Chairman of Walt Disney Concert Hall, Inc. (1998-2006); Chairman of Excellent Education Development (non-profit charter school management corporation) (2000-present).	13	None	None
Jaynie Miller Studenmund Born 1954	Trustee (1) (2) (3)	Served since 2004	Director of Orbitz Worldwide, Inc. (2007-present) (online travel company); Director of MarketTools, Inc. (2010-present) (market research software provider); Director of Forest Lawn (2002-present) (memorial parks); Director of eHarmony, Inc. (2005-2011) (online dating company); Director of aQuantive Inc. (2004-2007) (digital marketing services company); Chief Operating Officer of Overture Services, Inc. (commercial online search) (2001-2004); President and Chief Operating Officer of Paymybills.com (2000-2001) (online personal bill management service).	13	Orbitz Worldwide (global on-line travel company)	None



Name	Position(s) Held and With Fund	Term of Office and Length of Time Served*	Principal Occupations During the Past 5 Years	Number of Portfolios In Fund Complex Overseen by Nominee**	Other Directorships Held by Nominee	Common Shares of the Fund Beneficially Owned on March 1, 2012
<b>INTERESTED NOMINEES</b>						
R. Jay Gerke Born 1951 (4)	Trustee and Resident Chief Executive Officer (5)	Served as a Trustee since 2006 and as President since 2007	Managing Director of Legg Mason & Co., LLC ("Legg Mason & Co.") (since 2005); Officer and Trustee/Director of 160 funds associated with Legg Mason Partners Fund Advisor, LLC ("LMPFA") or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); President and Chief Executive Officer of LMPFA (since 2006); President and Chief Executive Officer of Smith Barney Fund Management LLC and Citi Fund Management Inc. (formerly registered investment advisers) (since 2002); formerly: Chairman, President and Chief Executive Officer of Travelers Investment Adviser, Inc. (prior to 2005).	160	N/A	2,000
Ronald L. Olson Born 1941 (4)	Trustee (6)	Served since 2005	Senior Partner, Munger, Tolles & Olson LLP (law partnership) (1968-present).	13	Edison International, City National Corporation (financial services company), The Washington Post Company and Berkshire Hathaway, Inc.	None

(1) Member of the Audit Committee of the Board of Trustees.

(2) Member of the Executive and Contracts Committee of the Board of Trustees.

(3) Member of the Governance and Nominating Committee of the Board of Trustees.

(4) To be elected by holders of the Preferred Shares only. See Proposal 2 below.

(5) Mr. Gerken is an "interested person" (as defined in section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act")) of the Fund because of his positions with subsidiaries of, and ownership of shares of common stock of, Legg Mason, Inc., the parent company of the Investment Adviser.

(6) Mr. Olson is considered to be an "interested person" (as defined above) of the Fund because his law firm has provided legal services to the Investment Adviser.

\* Each of the Trustees of the Fund holds office until his or her successor shall have been duly elected and shall qualify, subject to prior death, resignation, retirement, disqualification or removal from office and applicable law.

\*\* Each current Trustee also serves as a Director of Western Asset Income Fund (closed-end investment company) and Western Asset Funds, Inc. (open-end investment company), which are considered part of the same Fund Complex as the Fund. The Investment Adviser serves as an investment adviser to Western Asset Income Fund and one or more series of Western Asset Funds, Inc. The Fund's subadvisers, Western Asset Management Company Limited ("Western London"), Western Asset Management Company Pte. Ltd. ("Western Singapore") and Western Asset Management Company Ltd. ("Western Japan") (each, a "Subadviser" and together, the "Subadvisers"), each also serve as adviser to one or more series of Western Asset Funds, Inc. Mr. Gerken serves as Director/Trustee of 160 funds associated with Legg Mason & Co. or its affiliates. Legg Mason & Co., LLC is an affiliate of the Investment Adviser.

#### *Additional Information Concerning the Board of Trustees*

The Board believes that each Trustee's experience, qualifications, attributes or skills on an individual basis and in combination with those of the other Trustees lead to the conclusion that the Board possesses the requisite skills and attributes. The Board believes that the Trustees' ability to review, critically evaluate, question and discuss information provided to them, to interact effectively with the Investment Adviser, the Subadvisers, other service providers, counsel and independent auditors, and to exercise effective business judgment in the performance of their duties, support this conclusion. The Board also has considered the following experience, qualifications, attributes and/or skills, among others, of its members in reaching its conclusion: his or her character and integrity; such person's length of service as a board member of the Fund; such person's willingness to serve and willingness and ability to commit the time necessary to perform the duties of a Trustee; as to each Trustee other than Mr. Gerken and Mr. Olson, his or her status as not being an "interested person" (as defined in the 1940 Act) of the Fund (such Trustees who are not interested persons of the Fund being referred to as the "Independent Trustees"); and, as to Mr. Gerken, his status as a representative of Legg Mason, Inc. In addition, the following specific experience, qualifications, attributes and/or skills apply as to each Trustee: Mr. Arnault, business, accounting and finance expertise and experience as a chief financial officer, board member and/or executive officer of various businesses; Ms. DeFrantz, business expertise and experience as a president, board member and/or executive officer of various businesses and non-profit and other organizations; Mr. Poladian, business, finance and accounting expertise and experience as a board member of various businesses and/or as a partner of a multi-national accounting firm; Mr. Siart, business and finance expertise and experience as a president, chairman, chief executive officer and/or board member of various businesses and non-profit and other organizations; Ms. Studenmund, business and finance expertise and experience as a president, board member and/or chief operating officer of various businesses; Mr. Olson, business and legal expertise and experience as a senior partner of a law firm and/or board member of various businesses and non-profit and other organizations; and Mr. Gerken, investment management experience as an executive and portfolio manager and leadership roles within Legg Mason, Inc. and affiliated entities. References to the qualifications, attributes and skills of Trustees are pursuant to requirements of the Securities and Exchange Commission, do not constitute holding out of the Board or any Trustee as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

The Board is responsible for overseeing the management and operations of the Fund. William E.B. Siart serves as Chairman of the Board. Mr. Siart is an Independent Trustee. Independent Trustees constitute more than 70% of the Board. As described further below, the Board has three standing committees: the Audit Committee, the Executive and Contracts Committee and the Governance and Nominating Committee. Each of the Audit, Governance and Nominating and Executive and Contracts Committees is chaired by an Independent Trustee and



is composed entirely of Independent Trustees. Where deemed appropriate, the Board constitutes *ad hoc* committees.

The Board has determined that its leadership structure is appropriate given the business and nature of the Fund. In connection with its determination, the Board considered that the Chairman of the Board is an Independent Trustee. The Chairman of the Board can play an important role in setting the agenda of the Board and also serves as a key point person for dealings between management and the other Independent Trustees. The Independent Trustees believe that the Chairman's independence facilitates meaningful dialogue between fund management and the Independent Trustees. The Board also considered that the chairperson of each Board committee is an Independent Trustee, which yields similar benefits with respect to the functions and activities of the various Board committees (e.g., each committee's chairperson works with the Investment Adviser and other service providers to set agendas for the meetings of the applicable Board committees). Through the committees the Independent Trustees consider and address important matters involving the Fund, including those presenting conflicts or potential conflicts of interest for management. The Independent Trustees also regularly meet outside the presence of management and are advised by independent legal counsel. The Board has determined that its committees help ensure that the Fund has effective and independent governance and oversight. The Board also believes that its leadership structure facilitates the orderly and efficient flow of information to the Independent Trustees from management, including the Investment Adviser and Subadvisers. The Board reviews its structure on an annual basis.

As an integral part of its responsibility for oversight of the Fund in the interests of shareholders, the Board oversees risk management of the Fund's investment program and business affairs. The function of the Board with respect to risk management is one of oversight not active involvement in, or coordination of, day-to-day risk management activities for the Fund. The Board has emphasized to the fund's Investment Adviser and Subadvisers the importance of maintaining vigorous risk management. The Board exercises oversight of the risk management process primarily through the Audit Committee and Executive and Contracts Committee, and through oversight by the Board itself.

The Fund faces a number of risks, such as investment risk, counterparty risk, valuation risk, reputational risk, risk of operational failure or lack of business continuity, and legal, compliance and regulatory risk. Risk management seeks to identify and address risks, i.e., events or circumstances that could have material adverse effects on the business, operations, shareholder services, investment performance or reputation of the Fund. Under the overall supervision of the Board or the applicable Committee, the Fund, the Investment Adviser, the Subadvisers, and the affiliates of the Investment Adviser and the Subadvisers, and other service providers to the Fund employ a variety of processes, procedures and controls to identify various of those possible events or circumstances, to lessen the probability of their occurrence and/or to mitigate the effects of such events or circumstances if they do occur. Different processes, procedures and controls are employed with respect to different types of risks. Various personnel, including the Fund's and the Investment Adviser's CCO and the Investment Adviser's chief risk officer, as well as various personnel of other service providers such as the Fund's independent accountants, report to the Audit Committee, Executive and Contracts Committee and/or to the Board with respect to various aspects of risk management, as well as events and circumstances that have arisen and responses thereto. These reports and other similar reports received by the Trustees as to risk management matters are typically summaries of the relevant information. The Board recognizes that not all risks that may affect the Fund can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the Fund's goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness.



**Audit Committee.** The Board of Trustees has established an Audit Committee composed solely of Trustees who are not "interested persons" (as defined in the 1940 Act) of the Fund or the Investment Adviser or Subadvisers, consisting of Messrs. Arnault, Poladian and Siart and Meses. DeFrantz and Studenmund. Each member of the Audit Committee is "independent," as independence for audit committee members is defined in the currently applicable listing standards of the New York Stock Exchange, on which the Common Shares of the Fund are listed and traded. The Audit Committee provides oversight with respect to the accounting and financial reporting policies and procedures of the Fund and, among other things, considers the selection of the independent registered public accounting firm for the Fund and the scope of the audit and approves services proposed to be performed by the independent registered public accounting firm on behalf of the Fund and, under certain circumstances, the Investment Adviser, Subadvisers and certain affiliates. The Trustees have adopted a written charter for the Audit Committee, a copy of which is attached as Appendix A to the Fund's Proxy Statement dated April 13, 2011.

**The Audit Committee of the Fund has submitted the following report:**

The Audit Committee has reviewed and discussed with management of the Fund the audited financial statements for the last fiscal year. The Audit Committee has discussed with the Fund's independent registered public accounting firm the matters required to be discussed by Statements on Auditing Standards No. 114 ("SAS No. 114," which supersedes SAS No. 61). SAS No. 114 requires the independent registered public accounting firm to communicate to the Audit Committee matters including, if applicable: (1) methods used to account for significant unusual transactions; (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; (3) the process used by management in formulating particularly sensitive accounting estimates and the basis for the independent registered public accounting firm's conclusions regarding the reasonableness of those estimates; and (4) disagreements with management over the application of accounting principles and certain other matters. The Audit Committee has received the written disclosures and the letter from the Fund's independent registered public accounting firm required by Public Company Accounting Oversight Board Rule 3526 (requiring the independent registered public accounting firm to make written disclosures to and discuss with the Audit Committee various matters relating to its independence), and has discussed with such independent registered public accounting firm its independence.

Based on the foregoing review and discussions, the Audit Committee recommended to the Trustees the inclusion of the audited financial statements for the last fiscal year in the Fund's annual report to shareholders.

Ronald J. Arnault (Chairman)  
Anita L. DeFrantz  
Avedick B. Poladian  
William E.B. Siart  
Jaynie Miller Studenmund

**Governance and Nominating Committee.** The Board of Trustees has established a Governance and Nominating Committee composed solely of Trustees who are not "interested persons" (as defined in the 1940 Act) of the Fund or the Investment Adviser or Subadvisers, consisting of Meses. DeFrantz and Studenmund and Messrs. Arnault, Poladian and Siart. The Governance and Nominating Committee meets to select nominees for election as Trustees of the Fund, to review and make recommendations to the Board with respect to Trustee



compensation, and consider other matters of Board policy. The Trustees have adopted a written charter for the Governance and Nominating Committee, a current copy of which is attached as Appendix A to this Proxy Statement. The Fund does not currently maintain a website on which the charter is available.

The Governance and Nominating Committee requires that Trustee candidates have a college degree or equivalent business experience, but has not otherwise established specific, minimum qualifications that must be met by an individual to be considered by the Committee for nomination as a Trustee. The Governance and Nominating Committee may take into account a wide variety of factors in considering Trustee candidates, including, but not limited to: (i) availability and commitment of a candidate to attend meetings and perform his or her responsibilities to the Board of Trustees, (ii) relevant industry and related experience, (iii) educational background, (iv) financial expertise, (v) an assessment of the candidate's ability, judgment and expertise and (vi) overall diversity of the Board's composition.

Although the Governance and Nominating Committee does not have a formal policy with regard to the consideration of diversity in identifying Trustee nominees, as a matter of practice the Committee typically considers the overall diversity of the Board's composition when identifying nominees. Specifically, the Governance and Nominating Committee considers the diversity of skill sets desired among the Board members in light of the Fund's characteristics and circumstances and how those skill sets might complement each other. The Governance and Nominating Committee also takes into account the personal background of current and prospective Trustees in considering the composition of the Board. In addition, as part of its annual self-evaluation, the Trustees have an opportunity to consider the diversity of the Board, both in terms of skill sets and personal background, and any observations made by the Board during the self-evaluation inform the Governance and Nominating Committee in its decision making process.

The Governance and Nominating Committee may consider candidates for Trustee recommended by the Fund's current Trustees, officers, Investment Adviser or Subadvisers, shareholders or any other source deemed to be appropriate by the Governance and Nominating Committee. Candidates properly submitted by shareholders (as described below) will be considered and evaluated on the same basis as candidates recommended by other sources.

The policy of the Governance and Nominating Committee is to consider nominees recommended by shareholders to serve as Trustee, provided that any such recommendation is submitted in writing to the Fund, to the attention of the Secretary, at the address of the principal executive offices of the Fund, not less than one hundred and twenty calendar days nor more than one hundred and thirty-five calendar days prior to the date of the meeting at which the nominee would be elected and that such shareholder recommendation contains the information about such nominee required by the Fund's procedures for shareholders to submit nominee candidates, which are a part of the Governance and Nominating Committee's Charter. The Governance and Nominating Committee has full discretion to reject nominees recommended by shareholders, and there is no assurance that any such person so recommended and considered by the Governance and Nominating Committee will be nominated for election to the Fund's Board of Trustees.

**Executive and Contracts Committee.** The Board of Trustees has established an Executive and Contracts Committee consisting of Messrs. Siart, Arnault, Poladian and Mes. DeFrantz and Studenmund. The Executive and Contracts Committee may meet from time to time between Board meetings in order to consider appropriate matters and to review the various contractual arrangements between the Fund and its affiliated persons.



**Meetings.** During 2011, the Board of Trustees held five meetings, the Audit Committee held five meetings, the Governance and Nominating Committee held two meetings and the Executive and Contracts Committee held three meetings. Each Trustee attended at least 75% of the aggregate number of meetings of the Board of Trustees and the committees of the Board of Trustees on which he or she served.

Although the Fund's policies do not require the Trustees to attend the Fund's annual shareholder meetings, annual meetings are generally held in connection with regularly scheduled meetings of the Board of Trustees. Each current Trustee attended the Fund's annual shareholder meeting held on May 17, 2011. None of the Trustees attended a reconvened session of that annual shareholder meeting held on May 31, 2011.

**Shareholder Communications.** The Board of Trustees has adopted a process for shareholders to send communications to the Board of Trustees. Shareholders may mail written communications to the attention of the Board of Trustees, care of the Fund's Secretary, at the principal executive offices of the Fund. The written communication must include the shareholder's name, be signed by the shareholder, refer to the Fund, and include the class and number of shares held by the shareholder as of a recent date. The Secretary is responsible for determining, in consultation with other officers of the Fund, counsel, and other advisers as appropriate, which shareholder communications will be relayed to the Board.

**Trustee Holdings.** The following table states the dollar range of equity securities beneficially owned as of March 1, 2012 by each nominee in the Fund and, on an aggregate basis, in any registered investment companies overseen or to be overseen by the nominee in the same "family of investment companies." As of March 1, 2012, all Trustees and officers of the Fund as a group beneficially owned less than 1% of the outstanding shares of the Fund on such date.

Name of Nominee	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in all Funds Overseen or to be Overseen by Nominee in Family of Investment Companies <sup>1</sup>
<b>INDEPENDENT NOMINEES</b>		
Ronald J. Arnault	None	\$10,001-\$50,000
Anita L. DeFrantz	None	\$10,001-\$50,000
Avedick B. Poladian	None	None
William E. B. Siart	None	\$50,001-\$100,000
Jaynie Miller Studenmund	None	None
<b>INTERESTED NOMINEES</b>		
R. Jay Gerken	\$10,001-\$50,000	Over \$100,000
Ronald L. Olson	None	Over \$100,000

<sup>1</sup> "Family of investment companies" for these purposes includes Western Asset Premier Bond Fund, Western Asset Income Fund (closed-end investment company) and the portfolios of Western Asset Funds,

Inc. (open-end investment company).

**Trustee Compensation.** Each Trustee of the Fund who is not an "interested person" (as defined in the 1940 Act) of the Fund, the Investment Adviser or the Subadvisers receives an aggregate fee of \$75,000 annually for serving on the combined Boards of Directors/Trustees of the Fund, Western Asset Funds, Inc. and Western Asset Income Fund. Each Trustee also receives a fee of \$7,500 and related expenses for each meeting of the Boards or of a committee attended in-person and a fee of \$2,500 for participating in each telephonic meeting. The Chairman of the Board and the Chairman of the Audit Committee receive an additional \$30,000 per year and \$25,000 per year, respectively, for serving in such capacities for the combined Boards. Each member of the Audit Committee receives a fee of \$6,000 for serving as a member of the Audit Committee for the combined



Boards. Other committee members receive \$3,000 for serving as a member of each committee upon which they serve for the combined Boards. All such fees are allocated among the Fund, Western Asset Funds, Inc. and Western Asset Income Fund according to each such investment company's average annual net assets. Additionally, Mr. Olson receives from the Investment Adviser an aggregate fee of \$75,000 annually for serving on the combined Boards of Directors/Trustees of the Fund, Western Asset Funds, Inc. and Western Asset Income Fund, as well as a fee of \$7,500 and related expenses for each meeting of the combined Boards attended in-person and a fee of \$2,500 for participating in each telephonic meeting.

For the fiscal year ended December 31, 2011, the Trustees received the compensation set forth in the following table for serving as Trustees of the Fund and as Directors of other funds in the same "Fund Complex."

Name of Nominee	Aggregate Compensation from the Fund	Pension or Retirement Benefits Accrued as Part of Fund's Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation from the Fund and its Fund Complex Paid to Trustees <sup>(1)</sup>
<b>INDEPENDENT NOMINEES</b>				
Ronald J. Arnault	\$ 3,050	\$ 0	\$ 0	\$ 149,500
Anita L. DeFrantz	\$ 2,803	\$ 0	\$ 0	\$ 127,000
Avedick B. Poladian	\$ 2,855	\$ 0	\$ 0	\$ 132,000
William E. B. Siart	\$ 3,208	\$ 0	\$ 0	\$ 162,000
Jaynie M. Studenmund	\$ 2,756	\$ 0	\$ 0	\$ 124,500
<b>INTERESTED NOMINEES</b>				
R. Jay Gerken	\$ 0	\$ 0	\$ 0	\$ 0
Ronald L. Olson	\$ 0	\$ 0	\$ 0	\$ 0

(1) Includes amounts received in 2011 from the Fund and from Western Asset Income Fund and Western Asset Funds, Inc., which are considered part of the same Fund Complex as the Fund.

During 2011, the Fund paid no remuneration to its officers, all of whom were also officers or employees of the Investment Adviser or one of its affiliates.

## PROPOSAL 2 ELECTION OF PREFERRED TRUSTEES

Two Preferred Trustees are to be elected at the Annual Meeting to serve until their successors have been duly elected and qualified, subject to prior death, resignation, retirement, disqualification or removal from office and applicable law. Each such nominee is presently a Trustee of the Fund. The two current Preferred Trustees are Mr. Siart and Mr. Gerken.

It is the intention of the persons designated as proxies in the proxy card, unless otherwise directed therein, to vote at the Annual Meeting for the election of each of Ronald L. Olson and R. Jay Gerken as Preferred Trustees of the Fund. Information about each such nominee is set forth in the table above in Proposal 1. Each such nominee has agreed to serve if elected at the Annual Meeting. If either of Messrs. Olson or Gerken is unable or unavailable to serve, the persons named in the proxies will vote the proxies for such other person as the Board of Trustees may recommend for the position of Preferred Trustee.

**BOARD CONTINUING CONSIDERATION OF IMPACT  
OF PREFERRED SHARES ON THE FUND AND SHAREHOLDERS**

The Fund has \$72 million, par value, Preferred Shares outstanding. Since mid-February 2008, auctions for the Preferred Shares have consistently "failed" because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction, reducing liquidity in the Preferred Shares and the ability of shareholders to sell Preferred Shares at or near par value. On May 22, 2008, the Fund announced plans that, had they been consummated, would have allowed the Fund to restructure its leverage and provide liquidity to holders of its Preferred Shares on terms and conditions management and the Board of the Fund believed were in the best interests of the Fund. On September 29, 2008, the Fund announced that unprecedented turbulent conditions in the fixed-income market, and financial markets in general, had led it to re-evaluate the timing of the refinancing of the Preferred Shares.

In light of the impact these events have had on holders of the Preferred Shares and in light of the important role that leverage (in the form of the Preferred Shares) has played in the Fund's efforts to meet its investment objective, the Trustees have periodically evaluated the impact of the Preferred Shares on the Fund, whether to restructure the Fund's leverage and whether to provide liquidity to holders of the Fund's Preferred Shares.

In connection with these evaluations, the Board reviews information from Fund management regarding developments affecting the Preferred Shares and/or the Fund, including, among others, periodic updates regarding historic, current and anticipated interest rates affecting the Preferred Shares; historic, current and anticipated dividend rates paid on the Preferred Shares; the performance of the Fund based on net asset value and its market price; the anticipated benefits and costs to the Fund of using one o