

Western Asset Investment Grade Defined Opportunity Trust Inc.
Form N-2
April 24, 2009

As filed with the Securities and Exchange Commission on April 24, 2009

Securities Act Registration No. 333-
Investment Company Registration No. 811-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.

Post-Effective Amendment No.

and/or

REGISTRATION STATEMENT UNDER
THE INVESTMENT COMPANY ACT OF 1940

Amendment No.

Western Asset Investment Grade Defined Opportunity Trust Inc.

(Exact Name of Registrant as Specified in Charter)

55 Water Street
New York, New York 10041
(Address of Principal Executive Offices)

(888) 777-0102
(Registrant's Telephone Number, Including Area Code)

R. Jay Gerken

Legg Mason & Co., LLC

620 Eighth Avenue, 49th Floor

New York, New York 10018

(Name and Address of Agent for Service)

Copies to:

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New York, NY 10017

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Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

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It is proposed that this filing will become effective when declared effective pursuant to Section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Common Stock, \$0.001 par value	50,000 shares	\$ 20.00	\$ 1,000,000	\$ 55.80

(1) Estimated solely for purpose of calculating the registration fee.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED [], 2009

PROSPECTUS

Shares

Western Asset Investment Grade Defined Opportunity Trust Inc.

**Common Shares
\$20.00 Per Share**

The Fund. Western Asset Investment Grade Defined Opportunity Trust Inc. (the Fund) is a newly organized, non-diversified, closed-end management investment company.

Investment Objectives. The Fund's primary investment objective is to provide high current income and then to liquidate on or about December 2, 2024 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance the Fund's investment objectives will be achieved.

Investment Strategies. The Fund seeks to achieve its primary investment objective by investing, under normal market conditions, at least 80% of its total managed assets in investment grade corporate fixed income securities of varying maturities. Investment grade quality securities are those that, at the time of investment, are either rated by one of the nationally recognized statistical rating organizations (NRSROs) within the four highest letter grades (including BBB- or higher by Standard & Poor's Corporation Ratings Group (S&P) or Fitch Ratings, Inc. (Fitch) or Baa3 or higher by Moody's Investor Services, Inc. (Moody's)), or if unrated are determined by the Subadviser to be of comparable quality to the securities in which the Fund may otherwise invest. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from an NRSRO.

No Prior Trading History. **Because the Fund is newly organized, its common shares have no history of public trading. The shares of closed-end investment companies frequently trade at a discount from their net asset value which may increase investor risk of loss.** This risk may be greater for investors expecting to sell their shares in a relatively short period after completion of the initial public offering.

(continued on the following page)

The Fund intends to apply to list its Common Shares on the New York Stock Exchange (the NYSE). Listing on the NYSE is a condition for commencing our operations. The trading or ticker symbol of the Common Shares is expected to be [].

The Fund's investment policy involves certain risks. You could lose some or all of your investment. See Risks beginning on page [] of this Prospectus.

		Per Share		Total(1)
Public offering price	\$	20.00	\$	
Sales load(2)	\$	0.90	\$	
Estimated offering expenses(3)	\$	0.04	\$	
Proceeds, after expenses, to the Fund	\$	19.06	\$	

(notes on following page)

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver shares to purchasers on or about [], 2009.

The date of this Prospectus is [], 2009

(notes from cover page)

(1) The underwriters named in this Prospectus may purchase up to _____ additional shares at the public offering price, less the sales load, solely to cover over-allotments, if any. If this option is exercised in full, the total public offering price, sales load, estimated offering expenses and proceeds, after expenses, to the Fund will be approximately \$ _____, \$ _____, \$ _____ and \$ _____, respectively.

(2) LMPFA may pay certain qualifying underwriters a structuring fee, additional compensation, or a sales incentive fee in connection with the offering. See *Underwriting*. The total amount of this additional compensation will not exceed 9.0% of the total price to the public of the common shares sold in this offering.

(3) Total offering expenses (other than the sales load) are estimated to be approximately \$ _____, which represents \$ _____ per common share issued. LMPFA has agreed to pay (i) all of the Fund's organizational costs which are estimated to be \$ _____ and (ii) the Fund's offering costs (other than the sales load) in excess of \$0.04 per share.

(continued from cover page)

The Fund may invest up to 20% of its total managed assets in (i) corporate fixed income securities of below investment grade quality (commonly referred to as *high-yield securities* or *junk bonds*) at the time of investment and (ii) other securities, including obligations of the U.S. Government, its agencies or instrumentalities, common stocks, warrants and depository receipts. Corporate fixed income securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal.

The Fund does not intend to leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may borrow for temporary or emergency purposes as permitted by the Investment Company Act of 1940, as amended (the *1940 Act*). In addition, the Fund may invest in certain instruments and enter into transactions as described in this Prospectus that may have the economic effect of financial leverage (*effective leverage*). If the Fund utilizes these trading practices, it will segregate Fund assets or otherwise cover its obligations. To the extent the Fund covers its commitment under such instruments, including by segregation of liquid assets, entering into offsetting transactions or owning positions covering its obligations, such instruments will not be considered *leverage* by the Fund for the purposes of the 1940 Act. These transactions may create an opportunity for increased returns but may also compound losses on the Fund's Common Shares if the return on the transactions is negative or if the cost of leverage exceeds the return on the Fund's investments.

For more information on the Fund's investment strategies, see *The Fund's Investments* and *Risks*.

Manager and Subadviser. Legg Mason Partners Fund Advisor, LLC (the *Manager* or *LMPFA*), the Fund's investment manager, will be responsible for administrative and management services to the Fund. As of December 31, 2008, the Manager's total assets under management were approximately \$172 billion.

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Western Asset Management Company (the Subadviser or Western Asset), the Fund's subadviser, will be responsible for the day-to-day portfolio management of the Fund subject to the supervision of the Fund's Board of Directors and the Manager. As of December 31, 2008, the Subadviser and its supervised affiliates had approximately \$513.3 billion in assets under management.

Limited Term. The Fund will terminate on or about December 2, 2024. Upon its termination, the Fund will distribute substantially all of its net assets to holders of common shares, after making appropriate provision for any liabilities of the Fund. The Fund does not seek to return \$20 per share upon termination. As the assets of the Fund will be liquidated in connection with its termination, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Fund to lose money. Upon termination, the final distribution of net assets may be more than, equal to or less than \$20 per share.

You should read this Prospectus, which contains important information about the Fund that you should know before deciding whether to invest, and retain it for future reference. A Statement of Additional Information, dated _____, 2009, and as it may be amended (SAI), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the SEC) and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI (the table of contents of which is on page 50 of this Prospectus), annual and semi-annual reports to stockholders (when available), and additional information about the Fund by calling (888) 777-0102, by writing to the Fund or visiting the Fund's website (<http://www.leggmason.com/cef>). The information contained

in, or accessed through, the Fund's website is not part of this Prospectus. You may also obtain a copy of the SAI (and other information regarding the Fund) from the SEC's Public Reference Room in Washington, D.C. Information relating to the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Such materials, as well as the Fund's annual and semi-annual reports (when available), are also available on the SEC's website (<http://www.sec.gov>). You may also e-mail requests for these documents to publicinfo@sec.gov or make a request in writing to the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

The Fund's common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

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You should rely only on the information contained in or incorporated by reference into this Prospectus. The Fund has not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this Prospectus is accurate as of any date other than the date on the front of this Prospectus.

SUMMARY

This is only a summary. This summary does not contain all of the information that you should consider before investing in the Fund's shares. You should review the more detailed information contained elsewhere in this Prospectus and in the Statement of Additional Information, especially the information under the heading Risks.

The Fund	Western Asset Investment Grade Defined Opportunity Trust Inc. (the Fund) is a newly organized, non-diversified, closed-end management investment company.
The Offering	The Fund is offering _____ shares of common stock at \$20.00 per share through a group of underwriters led by _____. The shares of common stock are called Common Shares in the rest of this Prospectus. You must purchase at least 100 Common Shares in order to participate in this offering. The Fund has given the underwriters an option to purchase up to _____ additional Common Shares solely to cover over-allotments, if any. See Underwriting.
Who May Want to Invest	<p>Investors should consider their investment goals, time horizons and risk tolerance before investing in the Fund. An investment in the Fund is not appropriate for all investors, and the Fund is not intended to be a complete investment program. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund may be an appropriate investment for investors who are seeking:</p> <ul style="list-style-type: none"> • a closed-end fund with a limited term structure that will invest primarily in investment grade corporate fixed income securities; • a fund that does not intend to leverage its capital structure by issuing preferred shares or other senior securities (except for temporary or emergency purposes); • diversification of their overall investment portfolio; and • professional selection and active management by an experienced Subadviser. <p>Legg Mason Partners Fund Advisor, LLC, the Fund's manager (the Manager or LMPFA), and Western Asset Management Company, the Fund's subadviser (the Subadviser or Western Asset), believe that current market conditions have created an opportunity to purchase a portfolio of primarily investment grade corporate fixed income securities at attractive prices. Additionally, the Manager and Subadviser believe that the Fund's limited term closed-end structure allows investors to take advantage of the current distressed markets by purchasing a managed portfolio of corporate fixed income securities at discounted values, without the future dilution of this value that could occur in an open-end structure, while also mitigating trading discount concerns for long-term investors because the Fund intends to terminate and distribute all its net assets to shareholders on or about December 2, 2024.</p>
Investment Objectives	The Fund's primary investment objective is to provide high current income and then to liquidate on or about December 2, 2024 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance the Fund's investment objectives will be achieved. The Fund's investment objectives are fundamental and may not be changed without shareholder approval. See The Fund's Investments.
Investment Strategies	The Fund seeks to achieve its primary investment objective by investing, under normal market conditions, at least 80% of its total managed assets in a diversified portfolio of investment grade corporate fixed income securities of varying maturities. Corporate

fixed income securities include corporate bonds, debentures, notes and other similar types of corporate debt instruments, as well as preferred shares, senior secured floating rate and fixed rate loans or debt (Senior Loans), second lien or other subordinated or unsecured floating rate and fixed rate loans or debt (Second Lien Loans) and loan participations, payment-in-kind securities, zero-coupon bonds, bank certificates of deposit, fixed time deposits and bankers' acceptances other hybrid instruments. Instead of investing directly in particular securities, the Fund may gain exposure to a security or an issuer or a market by investing through the use of instruments such as derivatives, including credit default swaps, synthetic instruments and other instruments that are intended to provide similar economic exposure. Certain corporate debt instruments, such as convertible securities, also may include the right to participate in equity appreciation, and Western Asset will generally evaluate those instruments based primarily on their debt characteristics.

Investment grade quality securities are those that, at the time of investment, are either rated by one of the nationally recognized statistical rating organizations (NRSROs) within the four highest letter grades (including BBB- or higher by Standard & Poor's Corporation Ratings Group (S&P) or Fitch Ratings, Inc. (Fitch) or Baa3 or higher by Moody's Investor Services, Inc. (Moody's)), or if unrated are determined by the Subadviser to be of comparable quality to the securities in which the Fund may otherwise invest. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from an NRSRO (such securities are commonly referred to as split-rated securities).

The Fund may invest up to 20% of its total managed assets in (i) corporate fixed income securities of below investment grade quality (commonly referred to as high-yield securities or junk bonds) at the time of investment and (ii) other securities, including obligations of the U.S. Government, its agencies or instrumentalities, common stocks, warrants and depository receipts. Corporate fixed income securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. See Risks Below Investment Grade (High Yield) Securities Risk.

As used in this Prospectus, managed assets means the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage).

The Fund may invest all of its assets in U.S. dollar denominated securities and up to 20% of its total assets in non-U.S. dollar denominated securities of issuers located anywhere in the world, including issuers located in emerging market countries, and of issuers that operate in any industry.

The Fund may invest all of its assets in derivative instruments, such as options, futures contracts, indices or swap agreements. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques. The total return sought by the Fund consists of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates, foreign currency appreciation, or improving credit fundamentals for a particular sector or security.

The Fund may invest all or a portion of its total assets in illiquid securities, which are securities that cannot be sold within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities. See Risks Liquidity Risks.

The Subadviser will buy and sell securities for the Fund's portfolio to seek to provide a high level of current income during the Fund's fifteen year term and will select securities constituting a portfolio which the Subadviser believes does not involve undue risk to income or principal considered in relation to the particular investment policies of the Fund. As a result, the Fund will not necessarily invest in the highest yielding corporate fixed income securities permitted by its investment policies if the Subadviser determines that market risks or credit risks associated with such investments would subject the Fund's portfolio to excessive risk. The potential for realization of capital gains resulting from possible changes in interest rates will be a secondary consideration in the selection of securities.

In purchasing securities and other investments for the Fund, the Subadviser may take full advantage of the entire range of maturities and durations offered by corporate fixed income securities and may adjust the average maturity or duration of the Fund's portfolio from time to time, depending on its assessment of the relative yields available on securities of different maturities and durations and its expectations of future changes in interest rates. As the termination date of the Fund approaches, the Subadviser may manage the Fund's assets in a manner which causes the dollar weighted average maturity of its assets to shorten, and/or increase the percentage of cash or cash equivalents in the Fund's portfolio.

The Subadviser may allocate and reallocate the Fund's assets from time to time based on its analysis of economic and market conditions and the relative returns and risks then represented by each type of security.

The Fund may depart from its principal investment strategy in response to adverse economic, market or political conditions. During such periods, the Fund may invest substantially all of its total assets in obligations of the U.S. Government, its agencies or instrumentalities; other debt securities rated within the four highest categories by at least one NRSRO; commercial paper rated in the highest categories by any such NRSRO; certificates of deposit and bankers' acceptances; repurchase agreements with respect to any of the foregoing investments; or any other fixed income securities that the Subadviser considers consistent with this strategy. It is impossible to predict when, or for how long, the Fund will use these alternative strategies. There can be no assurance that such strategies will be successful. See

The Fund's Investments, Risks Derivatives Risk and Risks Temporary Defensive Strategies Risk in this Prospectus and Investment Policies and Techniques in the Statement of Additional Information (the SAI).

Leverage

The Fund does not intend to leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may borrow for temporary or emergency purposes as permitted by the Investment Company Act of 1940 Act, as amended (the 1940 Act). In addition, the Fund may lend portfolio securities, purchase securities on a when-issued or delayed delivery basis and enter into transactions such as reverse repurchase agreements and credit default swaps that may have the economic effect of leverage (effective leverage).

If the Fund utilizes these trading practices, it will segregate Fund assets or otherwise cover its obligations. To the extent the Fund covers its commitment under such instruments, including by segregation of liquid assets, entering into offsetting transactions or owning positions covering its obligations, such instruments will not be considered leverage by the Fund for the purposes of the 1940 Act. These transactions may create an opportunity for increased returns but may also compound losses on the Fund's Common Shares if the return on the transactions is negative or if the cost of leverage exceeds the return on the Fund's investments. See Leverage, Risks-Leverage Risk and Description of Shares-Preferred Shares.

Derivatives	<p>The Fund may use a variety of derivative instruments as part of its investment strategies or for hedging or risk management purposes. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to individual debt instruments, interest rates, currencies or currency exchange rates and related indices. Examples of derivative instruments that the Fund may use include options contracts, futures contracts, options on futures contracts, indexed securities, credit linked notes, credit default swaps and other swap agreements. The Fund may sell certain fixed income securities short including, but not limited to, U.S. Treasuries, for investment and/or hedging purposes. See The Fund's Investments and Risks Derivatives Risk.</p>
Limited Term	<p>The Fund will terminate on or about December 2, 2024. Upon its termination, the Fund will distribute substantially all of its net assets to shareholders, after making appropriate provision for any liabilities of the Fund. The Fund does not seek to return \$20 per share upon termination. The final distribution of net assets upon termination may be more than, equal to or less than \$20 per share.</p> <p>Prior to such termination, the board of directors of the Fund (the Board of Directors or Board) will consider whether it is in the best interests of shareholders to terminate and liquidate the Fund. If the Board of Directors determines that under the circumstances, termination and liquidation of the Fund on or about December 2, 2024 would not be in the best interests of shareholders, the Board of Directors will present an appropriate amendment to the Articles of Incorporation of the Fund (the Articles) at a regular or special meeting of shareholders. Unless the termination date is amended by shareholders in accordance with the Articles, the Fund will be terminated on or about December 2, 2024 (regardless of any change in state law affecting the ability of the Board of Directors to amend the Articles).</p>
Distributions	<p>The Fund intends to distribute its net investment income on a monthly basis and to distribute annually any realized capital gains. Your initial distribution is expected to be declared approximately 45 days, and paid approximately 60 days, from the completion of this offering, depending upon market conditions.</p> <p>Unless you elect to receive distributions in cash (i.e., opt out), all of your distributions, including any capital gains distributions on your Common Shares, will be automatically reinvested in additional Common Shares under the Fund's Dividend Reinvestment Plan. See Distributions and Dividend Reinvestment Plan.</p> <p>An affiliate of the Investment Manager has received an exemptive order from the SEC under the 1940 Act facilitating the implementation of a Managed Distribution Policy for certain funds for which it provides investment management services, including the Fund. The Fund does not intend to implement a managed distribution policy at this time; however, the Board may, at the request of the Investment Manager and Subadviser, adopt a managed distribution policy in the future. See Distributions Managed Distribution Policy.</p>
Manager	<p>LMPFA will be the Fund's investment manager. The Manager, a wholly-owned subsidiary of Legg Mason Inc. (Legg Mason), is a registered investment adviser and will be responsible for administrative and management services to the Fund. As of December 31,</p>

2008, the Manager's total assets under management were approximately \$172 billion. Legg Mason is a global asset management firm. As of December 31, 2008, Legg Mason's asset management operation had aggregate assets under management of approximately \$698.2 billion.

The Manager will receive an annual fee, payable monthly, in an amount equal to _____ % of the Fund's average daily managed assets. Managed assets means the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage).

The Fund will pay all of its offering costs up to and including \$0.04 per Common Share. The Fund's management fees and other expenses are borne by the shareholders. LMPFA has agreed to pay (i) all of the Fund's organizational costs which are estimated to be \$[] and (ii) the Fund's offering costs (other than sales load) in excess of \$0.04 per Common Share. See Summary of Fund Expenses and Management of the Fund.

Subadviser

Western Asset will be the Fund's subadviser. The Subadviser, a wholly-owned subsidiary of Legg Mason, is a registered investment adviser and will be responsible for the day-to-day portfolio management of the Fund subject to the supervision of the Fund's Board and the Manager. As of December 31, 2008, the Subadviser, and its supervised affiliates, had approximately \$513.3 billion in assets under management.

The Subadviser will receive a subadvisory fee from the Manager, payable monthly, in an amount equal to _____ % of the fee paid to the Manager by the Fund. No advisory fee will be paid by the Fund directly to the Subadviser. See Management of the Fund.

Listing and Symbol

The Fund intends to apply to list its Common Shares on the New York Stock Exchange (the NYSE). Listing on the NYSE is a condition for commencing our operations. The trading or ticker symbol of the Common Shares is expected to be [].

Custodian and Transfer Agent

State Street Bank and Trust Company will serve as custodian of the Fund's assets. American Stock Transfer & Trust Company LLC will serve as the Fund's transfer agent. See Custodian and Transfer Agent.

Selected Risk Considerations

No History of Operations. The Fund is a newly organized, non-diversified, closed-end management investment company with no history of operations or public trading. See Risks No History of Operations.

Investment and Market Risk. An investment in the Fund is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in Common Shares represents an indirect investment in the corporate fixed income securities and other assets owned by the Fund, most of which could be purchased directly. Your Common Shares at any point in time may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and distributions. The value of the Fund's portfolio securities may move up or down, sometimes rapidly and unpredictably. In addition, if the current national economic downturn continues into a prolonged recession or deteriorates further, the ability of corporations to collect revenue and service their obligations could be materially and adversely affected. Risks Investment and Market Risk.

Interest Rate Risk. The market value of the Fund's investments will change in response to changes in interest rates and other factors. During periods of declining interest rates, the values of fixed income securities generally rise. Conversely, during periods of rising

interest rates, the values of such securities generally decline. The magnitude of these fluctuations is generally greater for securities with longer maturities. The Fund may utilize certain strategies, including investments in structured notes or interest rate swap or cap transactions, for the purpose of reducing the interest rate sensitivity of the portfolio and decreasing the Fund's exposure to interest rate risk, although there is no assurance that it will do so or that such strategies will be successful. See Risks Interest Rate Risk.

Credit Risk. Credit risk is the risk that one or more corporate fixed income securities in the Fund's portfolio will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. If the recent adverse conditions in the credit markets continue to adversely affect the broader economy, the credit quality of issuers of corporate fixed income securities in which the Fund may invest would be more likely to decline, all other things being equal. Changes by an NRSRO in its rating of securities and in the ability of an issuer to make scheduled payments may also affect the value of the Fund's investments. If a corporate security is considered investment grade at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a downgrade occurs, the Subadviser will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders. To the extent the Fund invests in below investment grade securities, it will be exposed to a greater amount of credit risk than a fund which invests solely in investment grade securities. The prices of lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Corporate fixed income securities of below investment grade quality are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default. See Risks Credit Risk.

Below Investment Grade (High Yield) Securities Risk. Corporate fixed income securities rated below investment grade are commonly referred to as "high yield" securities or "junk bonds" and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. Corporate fixed income securities rated as low as C by Moody's, CCC or lower by S&P or CC or lower by Fitch are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal when due in the event of adverse business, financial or economic conditions and/or to be in default or not current in the payment of interest or principal. Ratings may not accurately reflect the actual credit risk associated with a corporate security. To the extent that the rating assigned to a corporate security is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for corporate fixed income securities of below investment grade quality tend to be volatile, and these securities are less liquid than investment grade corporate fixed income securities.

Corporate fixed income securities rated below investment grade generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of below investment grade securities, especially in a market characterized by a low volume of trading.

Default, or the market's perception that an issuer is likely to default, could reduce the value and liquidity of securities held by the Fund, thereby reducing the value of your investment in the Fund's Common Shares. In addition, default may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings. Investments in below investment grade securities may present special tax issues for the Fund to the extent that the issuers of these securities default on their obligations pertaining thereto, and the federal income tax consequences to the Fund as a holder of such distressed securities may not be clear. See *Risks Below Investment Grade (High Yield) Securities Risk*.

Senior Loan Risk. Senior Loans hold the most senior position in the capital structure of a business entity, are typically secured with specific collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. Senior Loans are usually rated below investment grade. As a result, the risks associated with Senior Loans are similar to the risks of below investment grade securities, although Senior Loans are typically senior and secured in contrast to other below investment grade securities, which are often subordinated and unsecured. See *Risks Below Investment Grade (High Yield) Securities Risk*. Senior Loans' higher standing has historically resulted in generally higher recoveries in the event of a corporate reorganization. In addition, because their interest rates are typically adjusted for changes in short-term interest rates, Senior Loans generally are subject to less interest rate risk than other below investment grade securities, which are typically fixed rate.

There is less readily available, reliable information about most Senior Loans than is the case for many other types of securities. In addition, there is no minimum rating or other independent evaluation of a borrower or its securities limiting the Fund's investments, and the Subadviser relies primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. As a result, the Fund is particularly dependent on the analytical abilities of the Subadviser.

The Fund may invest in Senior Loans rated below investment grade, which are considered speculative because of the credit risk of their issuers. Such companies are more likely to default on their payments of interest and principal owed to the Fund, and such defaults could reduce the Fund's net asset value and income distributions. An economic downturn generally leads to a higher non-payment rate, and a Senior Loan may lose significant value before a default occurs. Moreover, any specific collateral used to secure a Senior Loan may decline in value or become illiquid, which would adversely affect the Senior Loan's value.

No active trading market may exist for certain Senior Loans, which may impair the ability of the Fund to realize full value in the event of the need to sell a Senior Loan and which may make it difficult to value Senior Loans. Adverse market conditions may impair the liquidity of some actively traded Senior Loans, meaning that the Fund may not be able to sell them quickly at a fair price. To the extent that a secondary market does exist for certain Senior Loans, the market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Illiquid securities are also difficult to value.

Although Senior Loans in which the Fund will invest generally will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of the bankruptcy of a borrower, the Fund could experience delays or

limitations with respect to its ability to realize the benefits of the collateral securing a Senior Loan. If the terms of a Senior Loan do not require the borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower's obligations under the Senior Loans. To the extent that a Senior Loan is collateralized by stock in the

borrower or its subsidiaries, such stock may lose all of its value in the event of the bankruptcy of the borrower. Uncollateralized Senior Loans involve a greater risk of loss. Some Senior Loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the Senior Loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, including the Fund. Such court action could under certain circumstances include invalidation of Senior Loans.

The Fund may acquire Senior Loan assignments or participations. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser's rights can be more restricted than those of the assigning institution, and, in any event, the Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund will be exposed to the credit risk of both the borrower and the institution selling the participation. See *The Fund's Investments Portfolio Composition Senior Loans* and *Risks Senior Loan Risk*.

Second Lien Loans Risk. Second Lien Loans generally are subject to similar risks as those associated with investments in Senior Loans. Because Second Lien Loans are subordinated or unsecured and thus lower in priority of payment to Senior Loans, they are subject to the additional risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the borrower. This risk is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. Second Lien Loans generally have greater price volatility than Senior Loans and may be less liquid. There is also a possibility that originators will not be able to sell participations in Second Lien Loans, which would create greater credit risk exposure for the holders of such loans. Second Lien Loans share the same risks as other below investment grade securities. See *The Fund's Investments Portfolio Composition Second Lien Loans* and *Risks Second Lien Loans Risk*.

Liquidity Risk. The Fund may invest all or a portion of its total assets in illiquid securities. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities. Illiquid securities may trade at a discount from comparable, more liquid securities and may be subject to wide fluctuations in market value. Accordingly, the Fund may be forced to sell these securities at less than fair market value or may not be able to sell them when the Subadviser believes it is desirable to do so. See *Risks Liquidity Risk*.

Derivatives Risk. The Fund may utilize a variety of derivative instruments for investment, hedging or risk management purposes, such as futures contracts, options, swap agreements and credit default swaps. A derivative is a financial contract whose value depends on changes in the value of one or more underlying assets or reference rates. Derivatives are subject to a number of risks described elsewhere in this Prospectus, such as liquidity risk, interest rate risk, credit risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. Suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other

risks when that would be beneficial. If the Fund invests in a derivative instrument, it could lose more than the principal amount invested. See *Risks Derivatives Risk* in this Prospectus and *Investment Policies and Techniques Derivatives Risk Factors* in the SAI.

Equity Risk. The values of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. See *Risks Equity Risk*

Foreign (Non-U.S.) Investment Risk. A fund that invests in foreign (non-U.S.) securities may experience more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect the Fund's investments in a foreign country. In the event of nationalization, expropriation or other confiscation, the Fund could lose its entire investment in foreign securities. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. To the extent that the Fund invests a significant portion of its assets in a specific geographic region, the Fund will generally have more exposure to regional economic risks associated with foreign investments. See *Risks Foreign (Non-U.S.) Investment Risk*

Emerging Markets Risk. Foreign investment risk may be particularly high to the extent that the Fund invests in emerging market securities that are economically tied to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries. See *Risks Emerging Markets Risk*

Currency Risk. If the Fund invests directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in derivatives that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Fund's investments in foreign currency-denominated securities may reduce the returns of the Fund. See *Risks Currency Risk*

Management Risk. The Fund is subject to management risk because it is an actively managed investment portfolio. The Subadviser and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results. See Risks Management Risk

Short Sales Risk. To the extent the Fund makes use of short sales for investment and/or

risk management purposes, the Fund may be subject to risks associated with selling short. Short sales are transactions in which the Fund sells securities or other instruments that the Fund does not own or otherwise engages in economically similar transactions through the use of derivatives such as options, forwards or futures contracts. Short sales expose the Fund to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Fund. The Fund may engage in short sales where it does not own or have the right to acquire the security sold short at no additional cost. The Fund's loss on a short sale theoretically could be unlimited in a case where the Fund is unable, for whatever reason, to close out its short position. In addition, the Fund's short selling strategies may limit its ability to benefit from increases in the markets. Short selling also involves a form of financial leverage that may exaggerate any losses realized by the Fund. Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to the Fund. See Risks Short Sales Risk.

Current Economic Conditions Credit Crisis Liquidity and Volatility Risk. The markets for credit instruments, including corporate fixed income securities, have experienced periods of extreme illiquidity and volatility since the latter half of 2007. General market uncertainty and consequent repricing risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of debt securities, including corporate fixed income securities. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many debt securities remaining illiquid and of uncertain value. During times of reduced market liquidity, such as at the present, the Fund may not be able to sell corporate fixed income securities readily at prices reflecting the values at which the securities are carried on the Fund's books. Sales of large blocks of corporate fixed income securities by market participants, such as the Fund, that are seeking liquidity can further reduce prices in an illiquid market. These market conditions may make valuation of some of the Fund's corporate fixed income securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. Illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Common Shares. In addition, the prolonged continuation or further deterioration of current market conditions could adversely impact the Fund's portfolio. See Risks Current Economic Conditions Credit Crisis Liquidity and Volatility Risk.

Government Intervention in Financial Markets. The recent instability in the financial markets has led the U.S. Government to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Federal, state, and other governments, their regulatory agencies or self regulatory organizations may take actions that affect the regulation of the securities in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable. Issuers of corporate fixed income securities might seek protection under the bankruptcy laws. Legislation or regulation may also change the way in which the Fund itself is regulated. Such legislation or regulation could limit or preclude the Fund's ability to achieve its primary investment objective. Furthermore, volatile financial markets can expose the Fund to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by the Fund. The Subadviser will monitor developments and seek to manage the Fund's portfolio in a manner consistent with achieving the Fund's primary investment objective, but there can be no assurance that it will be successful in doing so. See Risks Government Intervention in Financial Markets.

Limited Term Risk. It is anticipated that the Fund will terminate on or about December 2, 2024. The Fund does not seek to return \$20 per share upon termination. As the assets of the Fund will be liquidated in connection with its termination, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when market

conditions are not favorable, which may cause the Fund to lose money. As the Fund approaches its termination date, the portfolio composition of the Fund may change, which may cause the Fund's returns to decrease and the market price of the Common Shares to fall. Rather than reinvesting the proceeds of its securities, the Fund may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause the Fund's fixed expenses to increase when expressed as a percentage of assets under management, or the Fund may invest the proceeds in lower yielding securities or hold the proceeds in cash or cash equivalents, which may adversely affect the performance of the Fund. Upon its termination, the Fund will distribute substantially all of its net assets to shareholders which may be more than, equal to or less than \$20 per share. See Risks Limited Term Risk.

Credit Default Swap Risk. Credit default swap agreements involve greater risks than if the Fund had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risk. A buyer generally also will lose its investment and recover nothing should no credit event occur and the swap is held to its termination date. If a credit event were to occur, the value of any deliverable obligation received by the seller, coupled with the upfront or periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the seller. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will pay to the buyer of the protection an amount up to the notional value of the swap, and in certain instances take delivery of the security. The Fund's obligations under a credit default swap agreement will be accrued daily (offset against any amounts owing to the Fund). The Fund will at all times segregate with its custodian in connection with each such transaction unencumbered liquid securities or cash with a value at least equal to the Fund's exposure (any accrued but unpaid net amounts owed by the Fund to any counterparty including, as a seller of protection, the full notional amount of the credit swap), on a marked-to-market basis (as calculated pursuant to requirements of the Securities and Exchange Commission (the "SEC")). Such segregation will ensure that the Fund has assets available to satisfy its obligations with respect to the transaction and will avoid any potential leveraging of the Fund's portfolio. Such segregation will not limit the Fund's exposure to loss. See Risks Credit Default Swap Risk.

Counterparty Risk. Changes in the credit quality of the companies that serve as the Fund's counterparties with respect to derivatives, insured corporate fixed income securities or other transactions supported by another party's credit will affect the value of those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant financial hardships including bankruptcy and losses as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. See Risks Counterparty Risk.

Prepayment Risk. During periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled. For fixed rate securities, such payments often occur during periods of declining interest rates, forcing the Fund to reinvest in lower yielding securities, resulting in a possible decline in the Fund's income and distributions to shareholders. This is known as prepayment or call risk. Below investment grade securities frequently have call features that allow the issuer to redeem the security at dates prior to its stated maturity at a specified price (typically greater than par) only if certain prescribed conditions are met (call protection). An issuer may redeem a below investment grade security if, for example, the issuer can refinance the debt at a lower cost due to

declining interest rates or an improvement in the credit standing of the issuer. Senior Loans and Second Lien Loans typically do not have call protection. For premium bonds (bonds acquired at prices that exceed their par or principal value) purchased by the Fund, prepayment risk may be enhanced. See Risks Prepayment Risk.

Inflation Risk. Inflation risk is the risk that the value of certain assets or income from the Fund's investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions on the Common Shares can decline. See Risks Inflation Risk.

Leverage Risk. The Fund does not intend to leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may borrow for temporary or emergency purposes as permitted by the 1940 Act. In addition, the Fund may lend portfolio securities, purchase securities on a when-issued or delayed delivery basis, invest in certain instruments and enter into transactions such as reverse repurchase agreements, credit default swaps and short sales that have the economic effect of financial leverage. Any effective leverage may create an opportunity for increased returns but may also compound losses on the Fund's Common Shares if the return on the Fund's investments is negative or if the cost of leverage exceeds the return on the Fund's investments. The effective leverage offered by such investments could cause the Fund's net asset value to be subject to more frequent and wider fluctuation than would be the case if the Fund did not invest in them. Because the fees received by the Manager and Subadviser are based on the total managed assets of the Fund, the Manager and Subadviser have a financial incentive for the Fund to use financial leverage, which may create a conflict of interest between the Manager and Subadviser and the shareholders. There is no assurance that the Fund's strategy of investing in instruments that have the economic effect of financial leverage will be successful.

Reverse repurchase agreements involve the risks that the interest income earned on the investment of the proceeds will be less than the interest expense and Fund expenses, that the market value of the securities sold by the Fund may decline below the price of the securities the Fund is obligated to repurchase and that the securities may not be returned to the Fund. There is no assurance that reverse repurchase agreements can be successfully employed. See Leverage and Risks Leverage Risk.

Market Disruption and Geopolitical Risk. The aftermath of the war with Iraq, instability in the Middle East and terrorist attacks in the United States and around the world may have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the occupation of Iraq cannot be predicted with any certainty. Terrorist attacks closed some of the U.S. securities markets in 2001, and similar events cannot be ruled out in the future. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks may adversely affect individual issuers and securities markets, interest rates, secondary trading, ratings, investor psychology, credit risk, inflation and other factors relating to the Common Shares. High-yield securities tend to be

more volatile than higher rated securities so that these events and any actions resulting from them may have a greater impact on the prices and volatility of high yield securities than on higher rated securities. See [Risks Market Disruption and Geopolitical Risk](#).

Market Price Discount from Net Asset Value. Shares of closed-end investment companies frequently trade at a discount from their net asset value. This characteristic is separate and distinct from the risk that the Fund's net asset value could decrease as a result of its investment activities and may be a greater risk to investors expecting to sell their Common Shares in a relatively short period following completion of this offering. Whether investors will realize gains or losses upon the sale of the Common Shares will depend not upon the Fund's net asset value but upon whether the market price of the Common Shares at the time of sale is above or below the investor's purchase price for the Common Shares. Because the market price of the Common Shares will be determined by factors such as relative supply of and demand for the Common Shares in the market, general market and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether the Common Shares will trade at, above or below net asset value or at, above or below the initial public offering price. The Common Shares are designed primarily for long-term investors and you should not view the Fund as a vehicle for trading purposes. See [Risks Market Price Discount from Net Asset Value](#).

Portfolio Turnover Risk. Changes to the investments of the Fund may be made regardless of the length of time particular investments have been held. A high portfolio turnover rate may result in increased transaction costs for the Fund in the form of increased dealer spreads and other transactional costs, which may have an adverse impact on performance. The portfolio turnover rate of the Fund will vary from year to year, as well as within a year. See [Risks Portfolio Turnover Risk](#).

Non-Diversification Risk. The Fund is classified as non-diversified under the 1940 Act. As a result, it can invest a greater portion of its assets in obligations of a single issuer than a diversified fund. The Fund may therefore be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence. The Fund intends to qualify for the special tax treatment available to regulated investment companies under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code) and thus intends to satisfy the diversification requirements of Subchapter M. See [The Fund's Investments](#), [Risks Non-Diversification Risk](#) and [Tax Matters](#).

Anti-Takeover Provisions. The Fund's Articles and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. These provisions could have the effect of depriving shareholders of opportunities to sell their Common Shares at a premium over the then-current market price of the Common Shares. See [Risks Anti-Takeover Provisions](#) and [Certain Provisions in the Articles of Incorporation and By-Laws](#).

Temporary Defensive Strategies Risk. When the Subadviser anticipates unusual market or other conditions, the Fund may temporarily depart from its principal investment strategies as a defensive measure and invest all or a portion of its assets in cash or short-term fixed income securities. To the extent that the Fund invests defensively, it likely will not achieve its primary investment objective. See [Risks Temporary Defensive Strategies Risk](#).

Additional Risks. For additional risks relating to investments in the Fund, including Risks on Futures and Options on Futures, Reinvestment Risk and When-Issued and Delayed-Delivery Transactions Risk, please see Risks beginning on page 26 of this Prospectus.

SUMMARY OF FUND EXPENSES

The purpose of the following table is to help you understand the fees and expenses that you, as a shareholder, would bear directly or indirectly.

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)	
Offering Expenses Borne by the Fund (as a percentage of offering price)	(1)
Dividend Reinvestment Plan Fees	None(2)
	Percentage of Net Assets Attributable to Common Shares
Annual Expenses	
Management Fees	%
Other Expenses(3)	%
Total Annual Expenses	%

(1) LMPFA has agreed to pay all of the Fund’s organizational costs and offering costs (other than sales load) that exceed \$0.04 per Common Share. Assuming an offering of [] Common Shares for \$[], the total offering costs are estimated to be \$[], \$[] of which would be borne by the Fund and \$[] of which would be paid by LMPFA. These figures represent estimates as the actual size of the offering and related expenses are not known as of the date of this Prospectus, and the actual offering expenses to be paid by the Fund may vary substantially from these estimates. The offering costs to be paid or reimbursed by the Fund are not included in the Annual Expenses table above. However, these expenses will be borne by shareholders and result in a reduction of the net asset value of the Common Shares.

(2) You will pay brokerage charges if you direct the Plan Agent to sell your Common Shares held in a dividend reinvestment account. See Dividend Reinvestment Plan.

(3) The annual Other Expenses shown in the table above is based upon estimated amounts for the current fiscal year and assumes that the Fund issues approximately Common Shares.

The purpose of the table above and the example below is to help you understand all fees and expenses that you, as a shareholder, would bear directly or indirectly. The amount set forth under Other Expenses in the table is based upon estimates for the current fiscal year and assumes the Fund issues [] Common Shares. If the Fund issues fewer Common Shares, all other things being equal, these expenses as a percentage of net assets attributable to Common Shares would increase. See Management of the Fund.

Example

The following example illustrates the expenses (including the sales load of \$[] and estimated expense of this offering of \$[]) that you would pay on a \$1,000 investment in Common Shares, assuming (i) Total Annual Expenses of % of net assets attributable to Common Shares and (ii) a 5% annual return:(1)

	1 Year	3 Years	5 Years	10 Years
\$	\$	\$	\$	\$

(1) **The example above should not be considered a representation of future expenses. Actual expenses may be higher or lower than those shown.** The example assumes that all dividends and distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

THE FUND

The Fund is a newly organized, non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was incorporated as a Maryland corporation on April 24, 2009, pursuant to the Articles. As a newly organized entity, the Fund has no operating history. The Fund's principal executive office is located at 55 Water Street, New York, New York 10041, and its telephone number is (888) 777-0102.

USE OF PROCEEDS

The net proceeds of the offering of Common Shares will be approximately \$ [] (\$ [] if the underwriters exercise the over-allotment option in full) after payment of the estimated organizational and offering costs. The Fund will pay all of its offering costs up to \$0.04 per Common Share and the Manager has agreed to pay (i) all of the Fund's organizational costs estimated to be \$[] and (ii) the Fund's offering costs (other than sales load) in excess of \$0.04 per Common Share.

The Fund will invest the net proceeds of the offering in accordance with the Fund's investment objectives and policies as stated below. It is currently anticipated that the Fund will be able to invest substantially all of the net proceeds in accordance with its investment objectives and policies within three months after the completion of the offering. Pending such investment, it is anticipated that the proceeds will be primarily invested in tax-exempt short-term money market instruments. The Fund may also invest in U.S. Government securities or high quality, short-term money market instruments, which may generate taxable income.

THE FUND'S INVESTMENTS

Investment Objectives

The Fund's primary investment objective is to provide high current income and then to liquidate on or about December 2, 2024 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance that the Fund will achieve its investment objectives. The Fund's investment objectives are fundamental and may not be changed without shareholder approval.

This section provides additional information about the Fund's investments and certain portfolio management techniques the Fund may use. More information about the Fund's investments and portfolio management techniques and the associated risks is included in the SAI.

Investment Strategies

Edgar Filing: Western Asset Investment Grade Defined Opportunity Trust Inc. - Form N-2

The Fund seeks to achieve its primary investment objective by investing, under normal market conditions, at least 80% of its total managed assets in a diversified portfolio of investment grade corporate fixed income securities of varying maturities. Corporate fixed income securities include corporate bonds, debentures, notes and other similar types of corporate debt instruments, as well as preferred shares, Senior Loans Second Lien Loans, loan participations, payment-in-kind securities, zero-coupon bonds, bank certificates of deposit, fixed time deposits and bankers' acceptances other hybrid instruments. Instead of investing directly in particular securities, the Fund may gain exposure to a security or an issuer or a market by investing through the use of instruments such as derivatives, including credit default swaps, synthetic instruments and other instruments that are intended to provide similar economic exposure. Certain corporate debt instruments, such as convertible securities, also may include the right to participate in equity appreciation, and Western Asset will generally evaluate those instruments based primarily on their debt characteristics.

The Fund may invest up to 20% of its total managed assets in (i) corporate fixed income securities of below investment grade quality (commonly referred to as high-yield securities or junk bonds) at the time of investment (ii) other securities, including obligations of the U.S. Government, its agencies or instrumentalities, common stocks, warrants and depository receipts. Corporate fixed income securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. See Risks Below Investment Grade (High Yield) Securities Risk.

Investment grade quality securities are those that, at the time of investment, are either rated by one of the NRSROs that rate such securities within the four highest letter grades (including BBB- or higher by S&P or Fitch or Baa3 or higher by Moody's), or if unrated are determined by the Subadviser to be of comparable quality to the securities in which the Fund may otherwise invest. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from an NRSRO (such securities are commonly referred to as split-rated securities).

As used in this Prospectus, managed assets means the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage).

The Fund may invest all of its assets in U.S. dollar denominated securities and up to 20% of its total assets in non-U.S. dollar denominated securities of issuers located anywhere in the world, including issuers located in emerging market countries, and of issuers that operate in any industry.

The Fund may invest all of its assets in derivative instruments, such as options, futures contracts indices or swap agreements. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques. The total return sought by the Fund consists of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates, foreign currency appreciation, or improving credit fundamentals for a particular sector or security.

The Fund may invest all or a portion of its total assets in illiquid securities, which are securities that cannot be sold within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities. See Risks Liquidity Risks.

The Subadviser will buy and sell securities for the Fund's portfolio to seek to provide a high level of current income during the Fund's fifteen year term and will select securities constituting a portfolio which the Subadviser believes does not involve undue risk to income or principal considered in relation to the particular investment policies of the Fund. As a result, the Fund will not necessarily invest in the highest yielding corporate fixed income securities permitted by its investment policies if the Subadviser determines that market risks or credit risks associated with such investments would subject the Fund's portfolio to excessive risk. The potential for realization of capital gains resulting from possible changes in interest rates will be a secondary consideration in the selection of securities.

The Fund may not change its policy to invest at least 80% of its total managed assets in investment grade corporate fixed income securities of varying maturities unless it provides shareholders with at least 60 days' written notice of such change.

Credit Ratings and Unrated Securities. Rating agencies are private services that provide ratings of the credit quality of debt obligations, including convertible securities. Appendix A to the SAI describes the various ratings assigned to debt obligations by S&P, Moody's and Fitch. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. The Fund will not necessarily sell a security when its rating is reduced below its rating at the time of purchase. Western Asset does not rely solely on credit ratings, and develops its own analysis of issuer credit quality. The ratings of a debt security may change over time. S&P, Moody's and Fitch monitor and evaluate the ratings assigned to securities on an ongoing basis. As a result, debt instruments held by the Fund could receive a higher rating (which would tend to increase their value) or a lower rating (which would tend to decrease their value) during the period in which they are held.

The Fund may purchase unrated securities (which are not rated by a rating agency) if the Subadviser determines that the securities are of comparable quality to rated securities that the Fund may purchase. Unrated securities may be less liquid than comparable rated securities and involve the risk that the Subadviser may not accurately evaluate the security's comparative credit rating. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher-quality debt obligations. To the extent that the Fund invests in high yield and/or unrated securities,

the Fund's success in achieving its investment objective may depend more heavily on the Subadviser's creditworthiness analysis than if the Fund invested exclusively in higher-quality and rated securities.

Selection of Investments. The Subadviser selects securities constituting a portfolio which the Subadviser believes does not involve undue risk to income or principal considered in relation to the particular investment policies of the Fund. As a result, the Fund will not necessarily invest in the highest yielding corporate fixed income securities permitted by its investment policies if the Subadviser determines that market risks or credit risks associated with such investments would subject the Fund's portfolio to excessive risk. The potential for realization of capital gains resulting from possible changes in interest rates will be a secondary consideration in the selection of securities.

In purchasing securities and other investments for the Fund, the Subadviser may take full advantage of the entire range of maturities and durations offered by corporate fixed income securities and may adjust the average maturity or duration of the Fund's portfolio from time to time, depending on its assessment of the relative yields available on securities of different maturities and durations and its expectations of future changes in interest rates. As the termination date of the Fund approaches, the Subadviser may manage the Fund's assets in a manner which causes the dollar weighted average maturity of its assets to shorten and/or increase the percentage of cash or cash equivalents in the Fund's portfolio.

Allocation. The Subadviser may allocate and reallocate the Fund's assets from time to time among the types of securities described above based on its analysis of economic and market conditions and the relative returns and risks then represented by each type of security.

The Fund may depart from its principal investment strategy in response to adverse economic, market or political conditions. During such periods, the Fund may invest substantially all of its assets in obligations of the U.S. Government, its agencies or instrumentalities; other debt securities rated within the four highest categories by at least one NRSRO; commercial paper rated in the highest categories by any such rating agency; certificates of deposit and bankers' acceptances; repurchase agreements with respect to any of the foregoing investments; or any other fixed income securities that the Subadviser considers consistent with this strategy. It is impossible to predict when, or for how long, the Fund will use these alternative strategies. There can be no assurance that such strategies will be successful. See "The Fund's Investments" and "Risks - Derivatives Risk" in this Prospectus and "Investment Policies and Techniques" in the SAI.

Percentage Limitations. Compliance with any policy or limitation of the Fund that is expressed as a percentage of assets is determined at the time of purchase of portfolio securities. The policy will not be violated if these limitations are exceeded because of changes in the market value or investment rating of the Fund's assets.

Segregation and Cover Requirements. Futures contracts, interest rate swaps, short sales, reverse repurchase agreements, options on securities, indices and futures contracts sold by the Fund are generally subject to earmarking and coverage requirements of either the Commodity Futures Trading Commission (CFTC) or the SEC, with the result that, if the Fund does not hold the security or futures contract underlying the instrument, the Fund will be required to designate on its books and records on an ongoing basis, cash, U.S. Government securities, or other liquid high grade debt obligations in an amount at least equal to the Fund's obligations with respect to such instruments. Such amounts fluctuate as the obligations increase or decrease. The earmarking requirement can result in the Fund maintaining securities positions it would otherwise liquidate, segregating assets at a time when it might be disadvantageous to do so or otherwise restrict portfolio management.

Portfolio Contents

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Corporate Bonds. The Fund may invest in a wide variety of bonds of varying maturities issued by U.S. and foreign corporations and other business entities. Bonds are fixed or variable rate debt obligations, including bills, notes, debentures, money market instruments and similar instruments and securities. Bonds generally are used by corporations as well as governments and other issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain bonds are perpetual in that they have no maturity date.

The investment return of corporate bonds reflects interest on the security and changes in the market value of the security. The market value of a corporate bond generally may be expected to rise and fall inversely with interest rates, and may also be affected by the credit rating of the corporation, the corporation's performance, perceptions of the corporation in

the marketplace and general market liquidity. The value of the intermediate- and longer-term corporate bonds in which the Fund generally will invest normally fluctuates more in response to changes in interest rates than does the value of shorter-term corporate bonds. There is a risk that the issuers of corporate bonds may not be able to meet their obligations on interest or principal payments at the time called for by a bond.

Commercial Paper. Commercial paper represents short-term unsecured promissory notes issued in bearer form by corporations such as banks or bank holding companies and finance companies. The rate of return on commercial paper may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies.]

Convertible Securities and Synthetic Convertible Securities. The Fund may invest in convertible securities, which are corporate fixed income securities that may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities have general characteristics similar to both debt securities and equity securities. The Subadviser will generally evaluate these instruments based primarily on their debt characteristics. Although to a lesser extent than with debt obligations, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stocks and, therefore, also will react to variations in the general market for equity securities.

Convertible securities are investments that provide for a stable stream of income with generally higher yields than common stocks. There can be no assurance of current income because the issuers of the convertible securities may default on their obligations. Convertible securities, however, generally offer lower interest or dividend yields than non-convertible securities of similar credit quality because of the potential for capital appreciation. A convertible security, in addition to providing current income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common stock.

The Fund is not required to dispose of common stock if, due to a conversion of convertible securities into the underlying shares of common stock, greater than 20% of the Fund's total managed assets are invested in corporate fixed income securities of below investment grade quality and other securities, obligations of the U.S. Government, its agencies or instrumentalities, common stocks, warrants and depository receipts.

Synthetic convertible securities differ from convertible securities in certain respects. Unlike a true convertible security, which is a single security having a unitary market value, a synthetic convertible comprises two or more separate securities, each with its own market value. Therefore, the market value of a synthetic convertible security is the sum of the values of its debt component and its convertibility component. For this reason, the values of a synthetic convertible and a true convertible security may respond differently to market fluctuations.

Derivatives. The Fund may use a variety of derivative instruments as a part of its investment strategies or for hedging or risk management purposes. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to individual debt instruments, interest rates, currencies or currency exchange rates and related indices. Examples of derivative instruments that the Fund may use include options contracts, futures contracts, options on futures contracts, indexed securities and credit linked notes credit default swaps and other swap agreements. The Fund may sell certain fixed income securities short including, but not limited to, U.S. Treasuries, for investment and/or hedging purposes. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investment directly in securities and other more traditional investments. The Fund's ability to pursue certain of these strategies may be limited by applicable regulations of the CFTC and the federal income tax requirements applicable to regulated investment companies.

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As part of its strategies, the Fund may purchase and sell futures contracts, purchase and sell (or write) exchange-listed and over-the-counter put and call options on securities, financial indices and futures contracts, enter into the interest rate and currency transactions discussed below and enter into other similar transactions which may be developed in the future to the extent the Subadviser determines that they are consistent with the Fund's investment objectives and policies and applicable regulatory requirements (collectively, "derivative transactions"). The Fund may use any or all of these techniques at any time, and the use of any particular derivative transaction will depend on market conditions. The derivative transactions that the Fund may use are described below.

Derivative transactions present certain risks. In particular, the variable degree of correlation between price movements of instruments the Fund has purchased or sold and price movements in the position being hedged creates the possibility that

losses on the hedge may be greater than gains in the value of the Fund's position. In addition, certain derivative instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, the Fund may not be able to close out a transaction without incurring losses substantially greater than the initial deposit. Although the contemplated use of these instruments should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they may tend to limit any potential gain which might result from an increase in the value of such position.

Successful use of derivative transactions by the Fund is subject to the ability of the Subadviser to correctly predict movements in the direction of interest rates and other factors affecting markets for securities. These skills are different from those needed to select portfolio securities. If the Subadviser's expectations are not met, the Fund would be in a worse position than if a derivative transaction had not been pursued. For example, if the Fund hedged against the possibility of an increase in interest rates which would adversely affect the price of securities in its portfolio and the price of such securities increased instead, the Fund would lose part or all of the benefit of the increased value of its securities because it would have offsetting losses in its derivatives positions. Losses due to derivative transactions will reduce net asset value. See Risk Factors Derivatives Risk.

The Fund will engage in derivative transactions only to the extent such transactions are consistent with the requirements of the Code for maintaining its qualification as a regulated investment company for federal income tax purposes. See Tax Matters.

Credit Default Swaps. The Fund may enter into credit default swap contracts for investment purposes and to leverage its portfolio. As the seller in a credit default swap contract, the Fund would be required to pay the par (or other agreed-upon) value of a referenced debt obligation to the counterparty in the event of a default by a third party, such as a corporate issuer, on the debt obligation. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. These payments are based on the difference between an interest rate applicable to the relevant issuer less a benchmark interest rate for a given maturity. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its assets, the Fund would be subject to investment exposure on the notional amount of the swap. The Fund will maintain cash or securities in a segregated account with a value at least equal to the aggregate market value of the credit default swaps of which it is the seller, adjusted daily. To the extent assets are segregated, these instruments will not be considered leverage by the Fund for the purposes of the 1940 Act.

For hedging purposes, the Fund may also purchase credit default swaps, in which case it would make periodic payments to the counterparty in exchange for the right to receive the notional value of the underlying debt obligation in the event of a default.

U.S. Government Securities. The Fund may invest in U.S. government securities, which are obligations of, or guaranteed by, the U.S. government, its agencies or government-sponsored enterprises. U.S. government securities include a variety of securities that differ in their interest rates, maturities and dates of issue. Securities issued or guaranteed by agencies or instrumentalities of the U.S. government may or may not be supported by the full faith and credit of the United States or by the right of the issuer to borrow from the U.S. Treasury. U.S. government securities are subject to interest rate risk, and, in some cases, may be subject to credit risk.

Preferred Stock. Preferred stock represents an equity interest in a company that generally entitles the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from liquidation of the company. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of a company's common stock,

and thus also represent an ownership interest in the company. Some preferred stocks offer a fixed rate of return with no maturity date. Because they never mature, these preferred stocks act like long-term bonds and can be more volatile than other types of preferred stocks and may have heightened sensitivity to changes in interest rates. Other preferred stocks have a variable dividend, generally determined on a quarterly or other periodic basis, either according to a formula based upon a specified premium or discount to the yield on particular U.S. Treasury securities or based on an auction process, involving bids submitted by holders and prospective purchasers of such stocks. Because preferred stocks represent an equity ownership interest in a company, their value usually will react more strongly than bonds and other debt instruments to actual or perceived changes in a company's financial condition or prospects, or to fluctuations in the equity markets.

Reverse Repurchase Agreements and Dollar Roll Transactions. A repurchase agreement is a transaction in which the seller of a security commits itself at the time of the sale to repurchase that security from the buyer at a mutually agreed upon time and price. The agreed-upon repurchase price determines the yield during the Fund's holding period. Repurchase agreements are considered to be loans collateralized by the underlying security that is the subject of the repurchase contract. The Fund will enter into repurchase agreements only with dealers, domestic banks or recognized financial institutions which, in the opinion of the Subadviser based on guidelines established by the Board, present minimal credit risks. The risk to the Fund is limited to the ability of the issuer to pay the agreed-upon repurchase price on the delivery date; however, although the value of the underlying collateral at the time the transaction is entered into always equals or exceeds the agreed-upon repurchase price, if the value of the collateral declines there is a risk of loss of both principal and interest. In the event of default, the collateral may be sold but the Fund might incur a loss if the value of the collateral declines, and might incur disposition costs or experience delays in connection with liquidating the collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, realization upon the collateral by the Fund may be delayed or limited. The Subadviser will monitor the value of the securities underlying the repurchase agreement at the time the transaction is entered into and at all times during the term of the repurchase agreement to ensure that the value of the securities always exceeds the repurchase price. In the event of default by the seller under the repurchase agreement, the Fund may incur costs and experience time delays in connection with the disposition of the underlying securities, and if the value of the underlying securities has decreased, the Fund could experience a loss.

While engaging in reverse repurchase agreements, the Fund will maintain cash or securities in a segregated account with a value at least equal to the Fund's obligation under the agreements, adjusted daily. To the extent assets are segregated, these instruments will not be considered leverage by the Fund for the purposes of the 1940 Act.

Reverse repurchase agreements may expose the Fund to greater fluctuations in the value of its assets and render the segregated assets unavailable for sale or other disposition. Reverse repurchase agreements may be viewed as a borrowing by the Fund to the extent a segregated account is not established.

The Fund may also enter into dollar roll transactions in which the Fund sells a fixed income security for delivery in the current month and simultaneously contracts to purchase substantially similar (same type, coupon and maturity) securities at an agreed upon future time. By engaging in a dollar roll transaction the Fund forgoes principal and interest paid on the security that is sold, but receives the difference between the current sales price and the forward price for the future purchase. The Fund would also be able to earn interest on the income that is received from the initial sale.

The obligation to purchase securities on a specified future date involves the risk that the market value of the securities that the Fund is obligated to purchase may decline below the purchase price. In addition, in the event the other party to the transaction files for bankruptcy, becomes insolvent or defaults on its obligation, the Fund may be adversely affected.

Securities Rated Below Investment Grade (High Yield). The Fund may invest up to 20% of its total managed assets in corporate fixed income securities rated below investment grade which are commonly referred to as high yield securities or junk bonds. The issuers of lower quality securities may be highly leveraged and have difficulty servicing their debt, especially during prolonged economic recessions or periods of rising interest rates. The prices of lower quality securities are volatile and may go down due to market perceptions of deteriorating issuer creditworthiness or economic conditions. Lower quality securities may become illiquid and hard to value in down markets. Securities rated below investment grade are considered speculative and, compared to investment grade securities, tend to have more volatile prices, increased price sensitivity to changing interest rates and to adverse economic and business developments, greater risk of loss due to default or declining credit quality, greater likelihood that adverse economic or issuer specific events will make the issuer unable to make interest and/or principal payments and greater susceptibility to negative market sentiments leading to depressed prices and decrease in liquidity. See Risks Below Investment Grade (High Yield) Securities Risk.

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Securities are considered to be rated below investment grade if they are rated, at the time of purchase, by at least one NRSRO below its top four long-term rating categories or if they are unrated but determined by the Subadviser to be of equivalent quality. If a corporate security is considered investment grade at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a downgrade occurs, the Subadviser will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders.

Senior Loans. Senior Loans hold the most senior position in the capital structure of a business entity (the Borrower), are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. The proceeds of Senior Loans primarily are used to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, refinancings and to finance internal growth and for other corporate purposes.

Senior Loans typically have rates of interest which are redetermined daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium or credit spread. These base lending rates are primarily the London-Interbank Offered Rate and secondarily the prime rate offered by one or more major U.S. banks and the certificate of deposit rate or other base lending rates used by commercial lenders. Senior Loans typically have a stated term of between five and nine years, and have rates of interest which typically are redetermined daily, monthly, quarterly or semi-annually. Longer interest rate reset periods generally increase fluctuations in the Fund's net asset value as a result of changes in market interest rates.

The Fund is not subject to any restrictions with respect to the maturity of Senior Loans held in its portfolio. As a result, as short-term interest rates increase, interest payable to the Fund from its investments in Senior Loans should increase, and as short-term interest rates decrease, interest payable to the Fund from its investments in Senior Loans should decrease. Because of prepayments, the Subadviser expects the average life of the Senior Loans in which the Fund invests to be shorter than the stated maturity.

Senior Loans are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the net asset value of the Fund. There can be no assurance that the liquidation of any collateral securing a Senior Loan would satisfy the Borrower's obligation in the event of non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated. In the event of bankruptcy of a Borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Senior Loan. The collateral securing a Senior Loan may lose all or substantially all of its value in the event of the bankruptcy of a Borrower. Some Senior Loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate such Senior Loans to presently existing or future indebtedness of the Borrower or take other action detrimental to the holders of Senior Loans including, in certain circumstances, invalidating such Senior Loans or causing interest previously paid to be refunded to the Borrower. If interest were required to be refunded, it could negatively affect the Fund's performance.

Many Senior Loans in which the Fund will invest may not be rated by a rating agency, will not be registered with the SEC, or any state securities commission, and will not be listed on any national securities exchange. The amount of public information available with respect to Senior Loans will generally be less extensive than that available for registered or exchange-listed securities. In evaluating the creditworthiness of Borrowers, the Subadviser will consider, and may rely in part, on analyses performed by others. Borrowers may have outstanding debt obligations that are rated below investment grade by a rating agency. Many of the Senior Loans in which the Fund will invest will have been assigned below investment grade ratings by independent rating agencies. In the event Senior Loans are not rated, they are likely to be the equivalent of below investment grade quality.

Because of the protective features of Senior Loans, the Subadviser believes that Senior Loans tend to have more favorable loss recovery rates as compared to more junior types of below investment gradedebt obligations. The Subadviser does not view ratings as the determinative factor in their investment decisions and rely more upon their credit analysis abilities than upon ratings.

No active trading market may exist for some Senior Loans, and some loans may be subject to restrictions on resale. A secondary market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may impair the ability to realize full value and thus cause a material decline in the Fund's net asset value. In addition, the Fund may not be able to readily dispose of its Senior Loans at prices that approximate those at which the Fund could sell such loans if they were more widely-traded and, as a result of such illiquidity, the

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Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. During periods of limited supply and liquidity of Senior Loans, the Fund's yield may be lower. See Risks Liquidity Risk and Risks Senior Loan Risk.

When interest rates decline, the value of a fund invested in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a fund invested in fixed rate obligations can be expected to decline. Although

changes in prevailing interest rates can be expected to cause some fluctuations in the value of Senior Loans (due to the fact that floating rates on Senior Loans only reset periodically), the value of Senior Loans is substantially less sensitive to changes in market interest rates than fixed rate instruments. As a result, to the extent the Fund invests in floating-rate Senior Loans, the Fund's portfolio may be less volatile and less sensitive to changes in market interest rates than if the Fund invested in fixed rate obligations. Similarly, a sudden and significant increase in market interest rates may cause a decline in the value of these investments and in the Fund's net asset value. Other factors (including, but not limited to, rating downgrades, credit deterioration, a large downward movement in stock prices, a disparity in supply and demand of certain securities or market conditions that reduce liquidity) can reduce the value of Senior Loans and other debt obligations, impairing the Fund's net asset value.

The Fund may purchase and retain in its portfolio a Senior Loan where the Borrower has experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy reorganization proceedings or other forms of debt restructuring. Such investments may provide opportunities for enhanced income as well as capital appreciation, although they also will be subject to greater risk of loss.

At times, in connection with the restructuring of a Senior Loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Fund may determine or be required to accept equity securities or junior credit securities in exchange for all or a portion of a Senior Loan.

The Fund may purchase Senior Loans on a direct assignment basis. If the Fund purchases a Senior Loan on direct assignment, it typically succeeds to all the rights and obligations under the loan agreement of the assigning lender and becomes a lender under the loan agreement with the same rights and obligations as the assigning lender. Investments in Senior Loans on a direct assignment basis may involve additional risks to the Fund. For example, if such loan is foreclosed, the Fund could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral.

The Fund may also purchase, without limitation, participations in Senior Loans. The participation by the Fund in a lender's portion of a Senior Loan typically will result in the Fund having a contractual relationship only with such lender, not with the Borrower. As a result, the Fund may have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by such lender of payments from the Borrower. Such indebtedness may be secured or unsecured. Loan participations typically represent direct participations in a loan to a Borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Fund may participate in such syndications, or can buy part of a loan, becoming a part lender. When purchasing loan participations, the Fund assumes the credit risk associated with the Borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. The participation interests in which the Fund intends to invest may not be rated by any nationally recognized rating service. Given the current structure of the markets for loan participations and assignments, the Fund expects to treat these securities as illiquid.

The Subadviser may use an independent pricing service or prices provided by dealers to value loans and other credit securities at their market value. The Subadviser will use the fair value method to value Senior Loans or other securities if market quotations for them are not readily available or are deemed unreliable. A security that is fair valued may be valued at a price higher or lower than actual market quotations or the value determined by other funds using their own fair valuation procedures.

Second Lien Loans. The Fund may invest in Second Lien Loans, which have the same characteristics as Senior Loans except that such loans are second in lien property rather than first. Second Lien Loans typically have adjustable floating rate interest payments. Accordingly, the risks associated with Second Lien Loans are higher than the risk of loans with first priority over the collateral. In the event of default on a Second Lien Loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for the second priority lien holder and therefore result in a loss of investment to the Fund. See *Risks-Second Lien Loans*.

Non-U.S. Securities and Currencies. The Fund may invest up to 20% of its total assets in instruments denominated in currencies other than the U.S. dollar. To the extent the Fund invests in such instruments, the value of the assets of the Fund as measured in U.S. dollars will be affected by changes in exchange rates. Generally, the Fund's currency exchange transactions will be conducted on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market. The cost of the Fund's currency exchange transactions will generally be the difference between the bid and offer spot rate of the currency being purchased or sold. In order to protect against uncertainty in the level of future currency exchange

rates, the Fund is authorized to enter into various currency exchange transactions. See **Risks** **Currency Risk**. The Fund may also invest without limit in securities of non-U.S. issuers denominated in U.S. dollars.

When-Issued, Delayed Delivery and Forward Commitment Transactions. The Fund may purchase securities on a when-issued or delayed delivery basis. Securities purchased on a when-issued or delayed delivery basis are purchased for delivery beyond the normal settlement date at a stated price and yield. No income accrues to the purchaser of a security on a when-issued or delayed delivery basis prior to delivery. Such securities are recorded as an asset and are subject to changes in value based upon changes in the general level of interest rates. The Fund will make commitments to purchase securities on a when-issued or delayed delivery basis only with the intention of actually acquiring the securities but may sell them before the settlement date if it is deemed advisable. Purchasing a security on a when-issued or delayed delivery basis can involve a risk that the market price at the time of delivery may be lower than the agreed-upon purchase price, in which case there could be an unrealized loss at the time of delivery. The Fund will establish a segregated account in which it will maintain liquid assets in an amount at least equal in value to the Fund's commitments to purchase securities on a when-issued or delayed delivery basis. If the value of these assets declines, the Fund will place additional liquid assets in the account on a daily basis so that the value of the assets in the account is equal to the amount of such commitments. To the extent assets are segregated, these transactions will not be considered **leverage** by the Fund for the purposes of the 1940 Act.

Repurchase Agreements. The Fund may enter into repurchase agreements, in which the Fund purchases a security from a bank or broker-dealer and the bank or broker-dealer agrees to repurchase the security at the Fund's cost plus interest within a specified time. If the party agreeing to repurchase should default, the Fund will seek to sell the securities which it holds. This could involve transaction costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Repurchase agreements maturing in more than seven days are considered to be illiquid securities.

Other Investment Companies. The Fund may invest in securities of other closed-end or open-end investment companies that invest primarily in bonds or other securities and instruments of the types in which the Fund may invest directly to the extent permitted by the 1940 Act. The Fund may invest in other investment companies during periods when it has large amounts of uninvested cash, such as the period shortly after the Fund receives the proceeds of the offering of its Common Shares, during periods when there is a shortage of attractive bonds available in the market, or when Western Asset believes share prices of other investment companies offer attractive values. The Fund may invest in investment companies that are advised by Western Asset or its affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's management fees and other expenses with respect to assets so invested. Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. Western Asset will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available bond investments. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks described herein. As described in the sections entitled **Risks** **Leverage Risk**, the net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares. Other investment companies may have investment policies that differ from those of the Fund. In addition, to the extent the Fund invests in other investment companies, the Fund will be dependent upon the investment and research abilities of persons other than Western Asset.

Defensive Strategies

At times the Subadviser may judge that conditions in the markets for corporate fixed income securities make pursuing the Fund's primary investment strategy inconsistent with the best interests of its shareholders. At such times the Subadviser may, temporarily, use alternative strategies, primarily designed to reduce fluctuations in the value of the Fund's assets. If the Fund takes a temporary defensive position, it may be unable to achieve its primary investment objective.

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In implementing these defensive strategies, the Fund may invest substantially all of its assets in obligations of the U.S. Government, its agencies or instrumentalities; other debt securities rated within the four highest categories by S&P, Moody's or Fitch; commercial paper rated in the highest categories by any such rating agency; certificates of deposit and bankers' acceptances; repurchase agreements with respect to any of the foregoing investments; or any other fixed income securities that the Subadviser considers consistent with this strategy. It is impossible to predict if, when or for how long

the Fund will use these alternative strategies. There can be no assurance that such strategies will be successful. See Dividend Reinvestment Plan.

Additional Investment Activities

Certain Interest Rate Transactions. In order to reduce the interest rate risk inherent in the Fund's underlying investments and capital structure, the Fund may enter into interest rate swap or cap transactions. Interest rate swaps involve the Fund's agreement with the swap counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate the Fund's variable rate payment obligation. The payment obligation would be based on the notional amount of the swap. The Fund may use an interest rate cap, which would require the Fund to pay a premium to the cap counterparty and would entitle the Fund, to the extent that a specified variable rate index exceeds a predetermined fixed rate, to receive from the counterparty payment of the difference based on the notional amount. The Fund may use interest rate swaps or caps with the intent to reduce or eliminate the risk that an increase in short-term interest rates could pose for the performance of the Common Shares as a result of leverage, and also may use these instruments for other hedging or investment purposes.

Loans of Portfolio Securities. Although the Fund may lend portfolio securities, the Fund does not currently intend to engage in this practice. By lending portfolio securities, the Fund attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the securities it lent and may not be able to recover the securities at all. To the extent that, in the meantime, the value of the securities the Fund loaned has increased, the Fund could experience a loss.

The Fund may lend its portfolio securities so long as the terms and the structure of such loans are not inconsistent with the requirements of the 1940 Act, which currently require that (i) the borrower pledge and maintain with the Fund collateral consisting of cash, a letter of credit issued by a domestic U.S. bank or securities issued or guaranteed by the U.S. Government having a value at all times not less than 100% of the value of the securities loaned; (ii) the borrower add to such collateral whenever the price of the securities loaned rises (i.e., the value of the loan is marked to market on a daily basis); (iii) the loan be made subject to termination by the Fund at any time and (iv) the Fund receive reasonable interest on the loan (which may include the Fund's investing any cash collateral in interest bearing short-term investments), and distributions on the loaned securities and any increase in their market value. The Fund will not lend portfolio securities if, as a result, the aggregate of such loans exceeds 33 1/3% of the value of the Fund's total assets (including such loans). Loan arrangements made by the Fund will comply with all other applicable regulatory requirements, including the rules of the NYSE, which rules presently require the borrower, after notice, to redeliver the securities within the normal settlement time of three business days. All relevant facts and circumstances, including the creditworthiness of the borrower, will be monitored by the Subadviser, and will be considered in making decisions with respect to lending securities, subject to review by the Board.

The Fund may pay reasonable negotiated fees in connection with loaned securities, so long as such fees are set forth in a written contract and approved by the Board. In addition, voting rights may pass with the loaned securities, but if a material event were to occur affecting such a loan, the loan must be called and the securities voted by the Fund.

Pre-Refunded Corporate Fixed Income Securities. The principal of, and interest on, pre-refunded corporate fixed income securities are no longer paid from the original revenue source for the securities. Instead, the source of such payments is typically an escrow fund consisting of U.S. Government securities. The assets in the escrow fund are derived from the proceeds of refunding bonds issued by the same issuer as the pre-refunded corporate fixed income securities. Issuers of corporate fixed income securities use this advance refunding technique to obtain more favorable terms with respect to securities that are not yet subject to call or redemption by the issuer. For example, advance refunding enables an issuer to refinance debt at lower market interest rates, restructure debt to improve cash flow or eliminate restrictive covenants in the indenture or other governing instrument for the pre-refunded corporate fixed income securities. However, except for a change in the revenue source from which principal and interest payments are made, the pre-refunded corporate fixed income securities remain outstanding on their original terms until they mature or are redeemed by the issuer.

Use of Leverage. The Fund does not intend to leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may borrow for temporary or emergency purposes as permitted by the 1940 Act. In addition, the Fund may lend portfolio securities, purchase securities on a when-issued or delayed delivery basis and enter into transactions such as reverse repurchase agreements and credit default swaps that may have the economic effect of leverage (effective leverage).

If the Fund utilizes these trading practices, it will establish segregated accounts in which it will maintain liquid assets in an amount at least equal in value to the Fund's commitments, which may be adjusted on a daily basis. To the extent assets are segregated, these transactions will not be considered leverage for the purposes of the 1940 Act. These transactions may create an opportunity for increased returns but may also compound losses on the Fund's Common Shares if the return on the transactions is negative or if the cost of leverage exceeds the return on the Fund's investments. See Leverage, Risks Leverage Risk and Description of Shares Preferred Shares.

During periods when the Fund is using financial leverage, the fees paid to the Manager for advisory services will be higher than if the Fund did not use financial leverage because the fees paid will be calculated on the basis of the Fund's managed assets. Because the fees received by the Manager and Subadviser are based on the total managed assets of the Fund, the Manager and Subadviser have a financial incentive for the Fund to use financial leverage, which may create a conflict of interest between the Manager and Subadviser and the shareholders. There is no assurance that the Fund's strategy of investing in instruments that have the economic effect of financial leverage will be successful. See [Description of Shares](#) [Borrowings](#).

New Securities and Other Investment Techniques. New types of securities and other investment and hedging practices are developed from time to time. Western Asset expects, consistent with the Fund's investment objective and policies, to invest in such new types of securities and to engage in such new types of investment practices if Western Asset believes that these investments and investment techniques may assist the Fund in achieving its investment objective. In addition, Western Asset may use investment techniques and instruments that are not specifically described herein.

Limited Term

The Fund will terminate on or about December 2, 2024. Upon its termination, the Fund will distribute substantially all of its net assets to shareholders, after making appropriate provision for any liabilities of the Fund. The Fund does not seek to return \$20 per share upon termination. The final distribution of net assets upon termination may be more than, equal to or less than \$20 per share. Prior to such termination, the Board of Directors will consider whether it is in the best interests of shareholders to terminate and liquidate the Fund. If the Board of Directors determines that under the circumstances, termination and liquidation of the Fund on or about December 2, 2024 would not be in the best interests of shareholders, the Board of Directors will present an appropriate amendment to the Articles at a regular or special meeting of shareholders. Unless the termination date is amended by shareholders in accordance with the Articles, the Fund will be terminated on or about December 2, 2024 (regardless of any change in state law affecting the ability of the Board of Directors to amend the Articles).

Fundamental Investment Policies

The Fund has adopted certain fundamental investment policies designed to limit investment risk. These fundamental investment policies may not be changed without the approval of the holders of a majority of the outstanding Common Shares. A majority of the outstanding shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares outstanding are present or represented by proxy or (ii) more than 50% of the shares outstanding, whichever of (i) or (ii) is less. See [Investment Objectives](#) and [Investment Policies and Techniques](#) in the SAI for a complete list of the fundamental and non-fundamental investment policies of the Fund.

Portfolio Turnover

It is not the Fund's policy to engage in transactions with the objective of seeking profits from short-term trading. However, the Fund may engage in active and frequent trading when the Subadviser believes such trading is, in light of prevailing economic and market conditions in the best interests of the Fund's shareholders. This may lead to the realization and distribution to shareholders of higher capital gains, which would increase their tax liability. Frequent trading also increases transaction costs, which could detract from the Fund's performance.

RISKS

The Fund is a non-diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objectives. Your Common Shares at any point in time may be worth less than you invested, even after taking into account the reinvestment of Fund dividends and distributions.

No History of Operations

The Fund is a newly organized, non-diversified, closed-end management investment company with no history of operations or public trading.

Investment and Market Risk.

An investment in the Fund is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in Common Shares represents an indirect investment in the corporate fixed income securities and other assets owned by the Fund, most of which could be purchased directly. Your Common Shares at any point in time may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and distributions. The value of the Fund's portfolio securities may move up or down, sometimes rapidly and unpredictably. In addition, if the current national economic downturn continues into a prolonged recession or deteriorates further, the ability of corporations to collect revenue and service their obligations could be materially and adversely affected.

Interest Rate Risk

The market value of the Fund's investments will change in response to changes in interest rates and other factors. During periods of declining interest rates, the values of fixed income securities generally rise. Conversely, during periods of rising interest rates, the values of such securities generally decline. The magnitude of these fluctuations is generally greater for securities with longer maturities. The Fund may utilize certain strategies, including investments in structured notes or interest rate swap or cap transactions, for the purpose of reducing the interest rate sensitivity of the portfolio and decreasing the Fund's exposure to interest rate risk, although there is no assurance that it will do so or that such strategies will be successful.

Credit Risk

Credit risk is the risk that one or more corporate fixed income securities in the Fund's portfolio will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. If the recent adverse conditions in the credit markets continue to adversely affect the broader economy, the credit quality of issuers of corporate fixed income securities in which the Fund may invest would be more likely to decline, all other things being equal. Changes by an NRSRO in its rating of securities and in the ability of an issuer to make scheduled payments may also affect the value of the Fund's investments. If a corporate security is considered investment grade at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a

downgrade occurs, the Subadviser will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders. To the extent the Fund invests in below investment grade securities, it will be exposed to a greater amount of credit risk than a fund which invests solely in investment grade securities. The prices of lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Corporate fixed income securities of below investment grade quality are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default.

Below Investment Grade (High Yield) Securities Risk

Corporate fixed income securities rated below investment grade are commonly referred to as "high yield" securities or "junk bonds" and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. Corporate fixed income securities rated as low as C by Moody's, CCC or lower by S&P or CC or lower by Fitch are

considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal when due in the event of adverse business, financial or economic conditions and/or to be in default or not current in the payment of interest or principal. Ratings may not accurately reflect the actual credit risk associated with a corporate security. To the extent that the rating assigned to a corporate security is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for corporate fixed income securities of below investment grade quality tend to be volatile, and these securities are less liquid than investment grade corporate fixed income securities.

Corporate fixed income securities rated below investment grade generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of below investment grade securities, especially in a market characterized by a low volume of trading.

Default, or the market's perception that an issuer is likely to default, could reduce the value and liquidity of securities held by the Fund, thereby reducing the value of your investment in the Fund's Common Shares. In addition, default may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings. Investments in below investment grade securities may present special tax issues for the Fund to the extent that the issuers of these securities default on their obligations pertaining thereto, and the federal income tax consequences to the Fund as a holder of such distressed securities may not be clear.

Senior Loan Risk

Senior Loans hold the most senior position in the capital structure of a business entity, are typically secured with specific collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. Senior Loans are usually rated below investment grade. As a result, the risks associated with Senior Loans are similar to the risks of below investment grade securities, although Senior Loans are typically senior and secured in contrast to other below investment grade securities, which are often subordinated and unsecured. See **Risks Below Investment Grade (High Yield) Securities Risk**. Senior Loans' higher standing has historically resulted in generally higher recoveries in the event of a corporate reorganization. In addition, because their interest rates are typically adjusted for changes in short-term interest rates, Senior Loans generally are subject to less interest rate risk than other below investment grade securities, which are typically fixed rate.

There is less readily available, reliable information about most Senior Loans than is the case for many other types of securities. In addition, there is no minimum rating or other independent evaluation of a borrower or its securities limiting the Fund's investments, and the Subadviser relies primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. As a result, the Fund is particularly dependent on the analytical abilities of the Subadviser.

The Fund may invest in Senior Loans rated below investment grade, which are considered speculative because of the credit risk of their issuers. Such companies are more likely to default on their payments of interest and principal owed to the Fund, and such defaults could reduce the Fund's net asset value and income distributions. An economic downturn generally leads to a higher non-payment rate, and a Senior Loan may lose significant value before a default occurs. Moreover, any specific collateral used to secure a Senior Loan may decline in value or become illiquid, which would adversely affect the Senior Loan's value.

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No active trading market may exist for certain Senior Loans, which may impair the ability of the Fund to realize full value in the event of the need to sell a Senior Loan and which may make it difficult to value Senior Loans. Adverse market conditions may impair the liquidity of some actively traded Senior Loans, meaning that the Fund may not be able to sell them quickly at a fair price. To the extent that a secondary market does exist for certain Senior Loans, the market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Illiquid securities are also difficult to value.

Although Senior Loans in which the Fund will invest generally will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of the bankruptcy of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Senior Loan. If the terms of a Senior Loan do not require the borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower's obligations under the Senior Loans. To the extent that a Senior Loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose all of its value in the event of the bankruptcy of the borrower. Uncollateralized Senior Loans involve a greater risk of loss. Some Senior Loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the Senior Loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, including the Fund. Such court action could under certain circumstances include invalidation of Senior Loans.

The Fund may acquire Senior Loan assignments or participations. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser's rights can be more restricted than those of the assigning institution, and, in any event, the Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund will be exposed to the credit risk of both the borrower and the institution selling the participation. See [The Fund's Investments Portfolio Contents Senior Loans](#).

Second Lien Loans Risk

Second Lien Loans generally are subject to similar risks as those associated with investments in Senior Loans. Because Second Lien Loans are subordinated or unsecured and thus lower in priority of payment to Senior Loans, they are subject to the additional risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the borrower. This risk is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. Second Lien Loans generally have greater price volatility than Senior Loans and may be less liquid. There is also a possibility that originators will not be able to sell participations in Second Lien Loans, which would create greater credit risk exposure for the holders of such loans. Second Lien Loans share the same risks as other below investment grade securities. See [The Fund's Investments Portfolio Contents Second Lien Loans](#).

Liquidity Risk

The Fund may invest all or a portion of its total assets in illiquid securities. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities. Illiquid securities may trade at a discount from comparable, more liquid securities and may be subject to wide fluctuations in market value. Accordingly, the Fund may be forced to sell these securities at less than fair market value or may not be able to sell them when the Subadviser believes it is desirable to do so.

Derivatives Risk

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The Fund may utilize a variety of derivative instruments for investment, hedging or risk management purposes, such as futures contracts, options, swap agreements and credit default swaps. A derivative is a financial contract whose value depends on changes in the value of one or more underlying assets or reference rates. Derivatives are subject to a number of risks described elsewhere in this Prospectus, such as liquidity risk, interest rate risk, credit risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. Suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial. If the Fund invests in a derivative instrument, it could lose

more than the principal amount invested. See [Investment Policies and Techniques](#) [Derivatives](#) [Risk Factors](#) in the SAI.

Equity Risk

The values of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities.

Foreign (Non-U.S.) Investment Risk

A fund that invests in foreign (non-U.S.) securities may experience more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect the Fund's investments in a foreign country. In the event of nationalization, expropriation or other confiscation, the Fund could lose its entire investment in foreign securities. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. To the extent that the Fund invests a significant portion of its assets in a specific geographic region, the Fund will generally have more exposure to regional economic risks associated with foreign investments.

Emerging Markets Risk

Foreign investment risk may be particularly high to the extent that a Fund invests in emerging market securities that are economically tied to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries.

Currency Risk

If a Fund invests directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in derivatives that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, a Fund's investments in foreign currency-denominated securities may reduce the returns of the Fund.

Management Risk

The Fund is subject to management risk because it is an actively managed investment portfolio. The Subadviser and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Short Sales Risk

To the extent the Fund makes use of short sales for investment and/or risk management purposes, the Fund may be subject to risks associated with selling short. Short sales are transactions in which the Fund sells securities or other instruments that the Fund does not own or otherwise engages in economically similar transactions through the use of

derivatives such as options, forwards or futures contracts. Short sales expose the Fund to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Fund. The Fund may engage in short sales where it does not own or have the right to acquire the security sold short at no additional cost. The Fund's loss on a short sale theoretically could be unlimited in a case where the Fund is unable, for whatever reason, to close out its short position. In addition, the Fund's short selling strategies may limit its ability to benefit from increases in the markets. Short selling also involves a form of financial leverage that may exaggerate any losses realized by the Fund. Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to the Fund.

Current Economic Conditions Credit Crisis Liquidity and Volatility Risk

The markets for credit instruments, including corporate fixed income securities, have experienced periods of extreme illiquidity and volatility since the latter half of 2007. General market uncertainty and consequent repricing risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of debt securities, including corporate fixed income securities. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many debt securities remaining illiquid and of uncertain value. During times of reduced market liquidity, such as at the present, the Fund may not be able to sell corporate fixed income securities readily at prices reflecting the values at which the securities are carried on the Fund's books. Sales of large blocks of corporate fixed income securities by market participants, such as the Fund, that are seeking liquidity can further reduce corporate security prices in an illiquid market. These market conditions may make valuation of some of the Fund's corporate fixed income securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. Illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Common Shares. In addition, the prolonged continuation or further deterioration of current market conditions could adversely impact the Fund's portfolio. See Risks Current Economic Conditions Credit Crisis Liquidity and Volatility Risk.

Government Intervention in Financial Markets

The recent instability in the financial markets has led the U.S. Government to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Federal, state, and other governments, their regulatory agencies or self regulatory organizations may take actions that affect the regulation of the securities in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable. Issuers of corporate fixed income securities might seek protection under the bankruptcy laws. Legislation or regulation may also change the way in which the Fund itself is regulated. Such legislation or regulation could limit or preclude the Fund's ability to achieve its primary investment objective. Furthermore, volatile financial markets can expose the Fund to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by the Fund. The Subadviser will monitor developments and seek to manage the Fund's portfolio in a manner consistent with achieving the Fund's primary investment objective, but there can be no assurance that it will be successful in doing so.

Limited Term Risk

It is anticipated that the Fund will terminate on or about December 2, 2024. The Fund does not seek to return \$20 per share upon termination. As the assets of the Fund will be liquidated in connection with its termination, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Fund to lose money. As the Fund approaches its termination date, the portfolio composition of the Fund may change, which may cause the Fund's returns to decrease and the market price of the Common Shares to fall. Rather than reinvesting the proceeds of its securities, the Fund may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause the Fund's fixed expenses to increase when expressed as a percentage of assets under management, or the Fund may invest the proceeds in lower yielding securities or hold the proceeds in cash or cash

equivalents, which may adversely affect the performance of the Fund. Upon its termination, the Fund will distribute substantially all of its net assets to shareholders which may be more than, equal to or less than \$20 per share.

Credit Default Swap Risk

Credit default swap agreements involve greater risks than if the Fund had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risk. A buyer generally also will lose its investment and recover nothing should no credit event occur and the swap is held to its termination date. If a credit event were to occur, the value of any deliverable obligation received by the seller, coupled with the upfront or periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the seller. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will pay to the buyer of the protection an amount up to the notional value of the swap, and in certain instances take delivery of the security. The Fund's obligations under a credit default swap agreement will be accrued daily (offset against any amounts owing to the Fund). The Fund will at all times segregate with its custodian in connection with each such transaction unencumbered liquid securities or cash with a value at least equal to the Fund's exposure (any accrued but unpaid net amounts owed by the Fund to any counterparty including, as a seller of protection, the full notional amount of the credit swap), on a marked-to-market basis (as calculated pursuant to requirements of the SEC. Such segregation will ensure that the Fund has assets available to satisfy its obligations with respect to the transaction and will avoid any potential leveraging of the Fund's portfolio. Such segregation will not limit the Fund's exposure to loss.

Counterparty Risk

Changes in the credit quality of the companies that serve as the Fund's counterparties with respect to derivatives, insured corporate fixed income securities or other transactions supported by another party's credit will affect the value of those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant financial hardships including bankruptcy and losses as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Prepayment Risk

During periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled. For fixed rate securities, such payments often occur during periods of declining interest rates, forcing the Fund to reinvest in lower yielding securities, resulting in a possible decline in the Fund's income and distributions to shareholders. This is known as prepayment or "call" risk. Below investment grade securities frequently have call features that allow the issuer to redeem the security at dates prior to its stated maturity at a specified price (typically greater than par) only if certain prescribed conditions are met ("call protection"). An issuer may redeem a below investment grade security if, for example, the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. Senior Loans and Second Lien Loans typically do not have call protection. For premium bonds (bonds acquired at prices that exceed their par or principal value) purchased by the Fund, prepayment risk may be enhanced.

Inflation Risk

Inflation risk is the risk that the value of certain assets or income from the Fund's investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions on the Common Shares can decline.

Leverage Risk

The Fund does not intend to leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may borrow for temporary or emergency purposes as permitted by the 1940 Act. In addition, the Fund may lend portfolio securities, purchase securities on a when-issued or delayed delivery basis, invest in certain instruments, and enter into transactions such as reverse repurchase agreements, credit default swaps and short sales that have the economic effect of financial leverage. Any effective leverage will create an opportunity for increased returns but may also compound losses on the Fund's Common Shares if the return on the Fund's investments is negative or if the cost of leverage exceeds the return on the Fund's investments. The effective leverage offered by such investments could cause the Fund's net asset value to be subject to more frequent and wider fluctuation than would be the case if the Fund did not invest in them. Because the fees received by the Manager and Subadviser are based on the total managed assets of the Fund, the Manager and Subadviser have a financial incentive for the Fund to use financial leverage, which may create a conflict of interest

between the Manager and Subadviser and the shareholders. There is no assurance that the Fund's strategy of investing in instruments that have the economic effect of financial leverage will be successful.

Reverse repurchase agreements involve the risks that the interest income earned on the investment of the proceeds will be less than the interest expense and Fund expenses, that the market value of the securities sold by the Fund may decline below the price of the securities the Fund is obligated to repurchase and that the securities may not be returned to the Fund. There is no assurance that reverse repurchase agreements can be successfully employed.

Market Disruption and Geopolitical Risk

The aftermath of the war with Iraq, instability in the Middle East and terrorist attacks in the United States and around the world may have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the occupation of Iraq cannot be predicted with any certainty. Terrorist attacks closed some of the U.S. securities markets in 2001, and similar events cannot be ruled out in the future. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks may adversely affect individual issuers and securities markets, interest rates, secondary trading, ratings, investor psychology, credit risk, inflation and other factors relating to the Common Shares. High-yield securities tend to be more volatile than higher rated securities so that these events and any actions resulting from them may have a greater impact on the prices and volatility of high yield securities than on higher rated securities.

Risks of Futures and Options on Futures

The use by the Fund of futures contracts and options on futures contracts to hedge interest rate risks involves special considerations and risks, as described below.

- Successful use of hedging transactions depends upon the Subadviser's ability to correctly predict the direction of changes in interest rates. There can be no assurance that any particular hedging strategy will succeed.
- There might be imperfect correlation, or even no correlation, between the price movements of a futures or option contract and the movements of the interest rates being hedged. Such a lack of correlation might occur due to factors unrelated to the interest rates being hedged, such as market liquidity and speculative or other pressures on the markets in which the hedging instrument is traded.
- Hedging strategies, if successful, can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable movements in the interest rates being hedged. However, hedging strategies can also reduce opportunity for gain by offsetting the positive effect of favorable movements in the hedged interest rates.

- There is no assurance that a liquid secondary market will exist for any particular futures contract or option thereon at any particular time. If the Fund were unable to liquidate a futures contract or an option on a futures contract position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Fund would continue to be subject to market risk with respect to the position.

- There is no assurance that the Fund will use hedging transactions. For example, if the Fund determines that the cost of hedging will exceed the potential benefit to the Fund, the Fund will not enter into such transactions.

Reinvestment Risk

Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund invests the proceeds from matured, traded or called corporate fixed income securities at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the Fund's Common Share price or its overall return.

When-Issued and Delayed-Delivery Transactions Risk

The Fund may purchase corporate fixed income securities on a when-issued basis, and may purchase or sell those securities for delayed delivery. When-issued and delayed-delivery transactions occur when securities are purchased or sold by the Fund with payment and delivery taking place in the future to secure an advantageous yield or price. Securities purchased on a when-issued or delayed-delivery basis may expose the Fund to counterparty risk of default as well as the risk that securities may experience fluctuations in value prior to their actual delivery. The Fund will not accrue income with respect to a when-issued or delayed-delivery security prior to its stated delivery date. Purchasing securities on a when-issued or delayed-delivery basis can involve the additional risk that the price or yield available in the market when the delivery takes place may not be as favorable as that obtained in the transaction itself. Similar concerns arise for securities sold on a delayed-delivery basis.

Market Price Discount from Net Asset Value

Shares of closed-end investment companies frequently trade at a discount from their net asset value. This characteristic is separate and distinct from the risk that the Fund's net asset value could decrease as a result of its investment activities and may be a greater risk to investors expecting to sell their Common Shares in a relatively short period following completion of this offering. Whether investors will realize gains or losses upon the sale of the Common Shares will depend not upon the Fund's net asset value but upon whether the market price of the Common Shares at the time of sale is above or below the investor's purchase price for the Common Shares. Because the market price of the Common Shares will be determined by factors such as relative supply of and demand for the Common Shares in the market, general market and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether the Common Shares will trade at, above or below net asset value or at, above or below the initial public offering price. The Common Shares are designed primarily for long-term investors and you should not view the Fund as a vehicle for trading purposes.

Portfolio Turnover Risk

Changes to the investments of the Fund may be made regardless of the length of time particular investments have been held. A high portfolio turnover rate may result in increased transaction costs for the Fund in the form of increased dealer spreads and other transactional costs, which may have an adverse impact on performance. The portfolio turnover rate of the Fund will vary from year to year, as well as within a year.

Non-Diversification Risk

The Fund is classified as non-diversified under the 1940 Act. As a result, it can invest a greater portion of its assets in obligations of a single issuer than a diversified fund. The Fund may therefore be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence. See The Fund's Investments. The Fund intends to qualify for the special tax treatment available to regulated investment companies under Subchapter M of the Code, and thus intends to satisfy the diversification requirements of Subchapter M. See Tax Matters.

Anti-Takeover Provisions

The Fund's Articles and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. These provisions could have the effect of depriving shareholders of opportunities to sell their Common Shares at a premium over the then-current market price of the Common Shares. See Certain Provisions in the Articles of Incorporation and By-Laws.

Temporary Defensive Strategies Risk

When the Subadviser anticipates unusual market or other conditions, the Fund may temporarily depart from its principal investment strategies as a defensive measure and invest all or a portion of its assets in cash or short-term fixed income securities. To the extent that the Fund invests defensively, it may not achieve its primary investment objective.

MANAGEMENT OF THE FUND

Directors and Officers

The overall management of the business and affairs of the Fund is vested in the Board of Directors. The Board of Directors approves all significant agreements between the Fund and persons or companies furnishing services to the Fund. The day-to-day operation of the Fund is delegated to the officers of the Fund, the Manager and the Subadviser, subject always to the investment objectives, restrictions and policies of the Fund and to the general supervision of the Board of Directors. Certain Directors and Officers of the Fund are affiliated with Legg Mason, the parent corporation of the Manager and the Subadviser. All of the Fund's executive officers hold similar offices with some or all of the other funds advised by the Manager.

Manager

Legg Mason Partners Fund Advisor, LLC, located at 620 Eighth Avenue, New York, New York, serves as the Fund's investment manager. The Manager is a registered investment adviser and will be responsible for administrative and management services to the Fund. As of December 31, 2008, the Manager's total assets under management were approximately \$172 billion. The Manager is a wholly-owned subsidiary of Legg Mason. Legg Mason is a global asset management firm. As of December 31, 2008, Legg Mason's asset management operation had aggregate assets under management of approximately \$698.2 billion.

The Subadviser

Western Asset Management Company, located at 385 East Colorado Boulevard, Pasadena, California, serves as the Fund's subadviser. The Subadviser, a wholly-owned subsidiary of Legg Mason, is a registered investment adviser and will be responsible for the day-to-day portfolio management of the Fund subject to the supervision of the Fund's Board of Directors and the Manager. As of December 31, 2008, the Subadviser and its supervised affiliates had approximately \$513.3 billion in assets under management.

However, investors should be aware that the investments made by the Fund and the results achieved by the Fund at any given time are not expected to be the same as those made by other funds for which the Subadviser acts as investment adviser, including funds with names, investment objectives and policies similar to the Fund.

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In connection with the Subadviser's service to the Fund, Asset Management Company Pte. Ltd. in Singapore (Western Singapore), Western Asset Management Company Ltd in Japan (Western Japan) and Western Asset Management Company Limited in London (Western London) will provide certain sub-advisory services to the Fund relating to currency transactions and investments in non-U.S. dollar denominated securities and related foreign currency instruments for the benefit of the Fund pursuant to sub-advisory agreements with each of Western Singapore, Western Japan and Western London.

Western Singapore was established in 2000 and has offices at 1 George Street #23-01, Singapore 049145. Western Japan was founded in 1991 and has offices at 36F Shin- Marunouchi Building, 5-1 Marunouchi 1-Chome Chiyoda-Ku, Tokyo 100-6536, Japan. Western London was founded in 1984 and has offices at 10 Exchange Square, Primrose Street, London EC2A2EN.

The Subadviser will pay each of Western Singapore, Western Japan and Western London a fee for its services at no additional expense to the Fund. The fee will be based upon a percentage of the management fee equal to the amount of the Fund's assets the Subadviser allocates to Western Singapore, Western Japan and Western Asset London, respectively, to manage. Western Singapore, Western Japan and Western London are wholly-owned subsidiaries of Legg Mason.

Investment Management Agreement and Subadvisory Agreements

Under the Fund's management agreement with LMPFA, subject to the supervision and direction of the Fund's Board, LMPFA is delegated the responsibility of managing the Fund's portfolio in accordance with the Fund's stated investment objectives and policies, making investment decisions for the Fund and placing orders to purchase and sell securities. LMPFA performs administrative and management services necessary for the operation of the Fund, such as (i) supervising the overall administration of the Fund, including negotiation of contracts and fees with and the monitoring of performance and billings of the Fund's transfer agent, stockholder servicing agents, custodian and other independent contractors or agents; (ii) providing certain compliance, Fund accounting, regulatory reporting and tax reporting services; (iii) preparing or participating in the preparation of Board materials, registration statements, proxy statements and reports and other communications to stockholders; (iv) maintaining the Fund's existence and (v) maintaining the registration and qualification of the Fund's shares under federal and state laws.

The Manager also provides the office space, facilities, equipment and personnel necessary to perform the following services for the Fund: SEC compliance, including record keeping, reporting requirements and registration statements and proxies; supervision of Fund operations, including coordination of functions of the transfer agent, custodian, accountants, counsel and other parties performing services or operational functions for the Fund; and certain administrative and clerical services, including certain accounting services and maintenance of certain books and records.

The Fund's management agreement will continue in effect, unless otherwise terminated, until 2011 and then will continue from year to year provided such continuance is specifically approved at least annually (a) by the Fund's Board or by a majority of the outstanding voting securities of the Fund (as defined in the 1940 Act) and (b) in either event, by a majority of the Independent Directors with such Independent Directors casting votes in person at a meeting called for such purpose. The Fund's management agreement provides that LMPFA may render services to others. The Fund's management agreement is terminable without penalty on not more than 60 days nor less than 30 days written notice by the Fund when authorized either by a vote of holders of shares representing a majority of the voting power of the outstanding voting securities of the Fund (as defined in the 1940 Act) or by a vote of a majority of the Fund's Directors, or by LMPFA on not less than 90 days written notice, and will automatically terminate in the event of its assignment. The Fund's management agreement provides that neither LMPFA nor its personnel shall be liable for any error of judgment or mistake of law or for any loss arising out of any investment or for any act or omission in the execution of security transactions for the Fund, except for willful misfeasance, bad faith or gross negligence or reckless disregard of its or their obligations and duties.

Other than the cash management services it provides for certain equity funds, LMPFA does not provide day-to-day portfolio management services. Rather, portfolio management for the Fund is provided by Western Asset.

Western Asset provides services to the Fund pursuant to a sub-advisory agreement between LMPFA and Western Asset. Under the sub-advisory agreement, subject to the supervision and direction of the Fund's Board and LMPFA, Western Asset will manage the Fund's portfolio in accordance with the Fund's stated investment objectives and policies, make investment decisions for the Fund, place orders to purchase and sell securities, and employ professional portfolio managers and securities analysts who provide research services to the Fund.

The sub-advisory agreement between LMPFA and Western Asset for the Fund will continue in effect, unless otherwise terminated, until 2011, and then will continue from year to year provided such continuance is specifically approved at least annually (a) by the Board or by a majority of the outstanding voting securities of the Fund (as defined in the 1940 Act), and (b) in either event, by a majority of the Independent Directors with such Independent Directors casting votes in person at a meeting called for such purpose. The Board or a majority of the outstanding voting securities of each Fund (as defined in the 1940 Act) may terminate that Fund's sub-advisory agreement without penalty, in each case on not more than 60 days nor less than 30 days written notice to Western Asset. Western Asset may terminate the sub-advisory agreement on 90 days written notice to the Fund and LMPFA. LMPFA and Western Asset may terminate the sub-advisory agreement upon their mutual written consent. The

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sub-advisory agreement will terminate automatically in the event of assignment by Western Asset and shall not be assignable by LMPFA without the consent of Western Asset.

For its services, the Fund has agreed to pay the Manager an annual fee, payable monthly, in an amount equal to 0.60% of the Fund's average daily managed assets. The Fund will pay all of its offering costs up to and including \$0.04 per Common Share. The Manager has also agreed to pay (i) all of the Fund's organizational costs and (ii) offering costs of the Fund (other than the sales load) that exceed \$0.04 per Common Share. The Fund's management fee and other expenses are borne by the shareholders.

The Subadviser will receive a subadvisory fee from the Manager, payable monthly, in an amount equal to 70% of the Fund's fee paid to the Manager by the Fund. No advisory fee will be paid by the Fund directly to the Subadviser.

The Subadviser will pay each of Western Singapore, Western Japan and Western London a fee for its services at no additional expense to the Fund. The fee will be based upon a percentage of the management fee equal to the amount of the Fund's assets the Subadviser allocates to Western Singapore, Western Japan and Western Asset London, respectively, to manage.

The basis for the Board of Directors' initial approval of the Fund's investment advisory and sub-advisory agreements will be provided in the Fund's initial shareholder report. The basis for subsequent continuations of the Fund's investment advisory and sub-advisory agreements will be provided in annual or semi-annual reports to shareholders for the periods during which such continuations occur.

Subadviser Philosophy

The Subadviser's objective for fixed income management is to provide clients with diversified, tightly controlled, value-oriented portfolios.

The Subadviser's management style emphasizes the use of multiple strategies and active sector rotation and issue selection. This philosophy is implemented through uniform application of the following key strategic points:

Value investing. Value investing is the Subadviser's fundamental approach. As sector rotators, the Subadviser seeks out the greatest long-term value by assiduously analyzing all sectors of the fixed income market.

Multiple strategies. The Subadviser employs multiple strategies, proportioned so that results do not depend on one or two opportunities, and that no single adverse market event should have an overwhelming effect. The Subadviser believes this approach can add incremental value over time and can help to reduce volatility.

Integrated Team Approach. The Subadviser's fixed income discipline emphasizes a team approach that unites groups of specialists dedicated to different market sectors. The investment responsibilities of each sector group are distinct, yet results are derived from the constant interaction that unites the specialty groups into a cohesive investment management team. The sector teams are comprised of the Subadviser's senior portfolio managers, research analysts, and an in-house economist who are highly skilled and experienced in all major areas of the fixed income market. They exchange views on a daily basis and meet more formally twice each month to review the Subadviser's economic outlook and investment strategy. This structure seeks to ensure that client portfolios benefit from a consensus that draws on the expertise of all team members.

Subadviser Investment Process

The strategic goal at the Subadviser is to add value to client portfolios while adhering to a disciplined risk control process. The Subadviser's investment philosophy combines traditional analysis with innovative technology applied to all sectors of the market. The Subadviser believes inefficiencies exist in the fixed income markets and attempts to add incremental value by exploiting these inefficiencies across all eligible market sectors. The key areas of focus are:

- Sector & Sub-Sector Allocation

- Issue Selection

- Duration

- Term Structure

These areas represent the primary sources of value added in active fixed income management. Different investment approaches result from the relative weight attributed to each factor. Historical analyses of performance attribution indicate that sector allocation and issue selection contribute the majority of value added by the Subadviser, while duration and term structure decisions account for the remainder.

Sector & Sub-Sector Allocation. The Subadviser has been successfully rotating among and within sectors of the bond market. Members of the Subadviser's Global Investment Strategy Group continually analyze the broad economic environment to determine the potential impact on sector performance. They study historical yield spreads, identify the fundamental factors that influence yield spread relationships and relate these findings to the Subadviser's projections to determine attractive alternatives.

Issue Selection. Issue selection is a bottom-up process to determine mispriced or undervalued securities. The Subadviser's sector teams provide an ongoing assessment of changing credit characteristics and of securities with characteristics such as (i) floating interest rates, (ii) hidden underlying assets or credit backing, (iii) securities issued in mergers and (iv) newly issued securities. Armed with these sector and issue analyses, the sector teams and portfolio manager select issues opportunistically.

While the Subadviser concentrates on investment grade securities, the Subadviser's analysts have proven very successful in analyzing lower grade credits. Securities rated at the lower end (BBB) of the investment grade scale, and those at the higher ranges below that (BB), have proven particularly attractive. It is anticipated that these securities will continue to offer exceptional risk-adjusted opportunities. The Subadviser believes that authority to use at least the full range of investment grade credit, when combined with proper risk control guidelines, is a prudent exercise of fiduciary responsibility.

Duration. The Global Investment Strategy Group decides on a duration target based on a comprehensive analysis of domestic and international macroeconomic factors as well as the general political environment. The underlying belief is that interest rates are primarily determined by the level and direction of inflation, and that inflation is primarily a monetary phenomenon. The Global Investment Strategy Group weighs its views against market expectations, taking on more risk as its views diverge from the market and less risk as they converge. The consensus is not to attempt to time the market, but rather to identify and stay with long-term trends.

Term Structure. The Subadviser closely monitors shifts in the yield curve because the relationship between short, intermediate and long maturity securities is essential to constructing a long-term investment horizon.

Risk is managed by controlling term structure relative to a target portfolio and by assessing the convexity of the Subadviser's holdings.

Investment Management Team

Set forth below is information regarding the team of professionals at the Subadviser primarily responsible for overseeing the day-to-day operations of the Fund. The Subadviser utilizes a team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed income portfolios will reflect a consensus of interdisciplinary views.

NAME, ADDRESS AND TITLE

PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS

Additional information about the portfolio ma