WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.
Form N-14 8C/A
September 05, 2008

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 5, 2008

SECURITIES ACT FILE NO. 333-152308

INVESTMENT COMPANY ACT FILE NO. 811-07686

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

x Pre-Effective Amendment No. 1 ¨ Post-Effective Amendment No.

WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

(Exact Name of Registrant as Specified in Charter)

55 Water Street

New York, New York 10041

(Address of Principal Executive Offices: Number, Street, City, State, Zip Code)

1-888-777-0102

(Area Code and Telephone Number)

R. Jay Gerken

Legg Mason & Co., LLC

620 Eighth Avenue, 49th Floor

New York, New York 10018

(Name and Address of Agent for Services)

with copies to:

Sarah E. Cogan, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017

Robert I. Frenkel, Esq.
Legg Mason & Co., LLC
300 First Stamford Place
Stamford, Connecticut 06902

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[1]	Proposed Maximum Aggregate Offering Price[1]	Amount of Registration Fee
Common Stock ($.001 par value)	4,500,000	$ 13.95	$ 62,775,000	$ 2,467.06[2]

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

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 this 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 date as the Commission acting pursuant to said section 8(a), may determine.

WESTERN ASSET EMERGING MARKETS INCOME FUND INC.

620 Eighth Avenue, 49th Floor

New York, New York 10018

, 2008

Dear Stockholder:

A Special Meeting of Stockholders (the Meeting) of Western Asset Emerging Markets Income Fund Inc. (EMD) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on Friday, October 17, 2008 at 4:00 p.m., Eastern Standard Time, for the purposes of considering and voting upon the following:

1. A proposal to approve the merger of Western Asset Emerging Markets Income Fund Inc. with and into Western Asset Emerging Markets Income Fund II Inc. in accordance with the Maryland General Corporation Law.

2. The transaction of such other business as may be properly presented at the Meeting or any adjournments or postponements thereof.

The close of business on July 23, 2008 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting. Stockholders are being asked to consider a proposal to approve the merger of EMD with and into Western Asset Emerging Markets Income Fund II Inc. (EDF, and together with EMD, the Funds) in accordance with the Maryland General Corporation Law (the Merger). The attached Proxy Statement/Prospectus asks for your approval of the proposed Merger. **After careful consideration, the Board of EMD recommends that you vote FOR the proposed Merger.**

As a result of the Merger, each share of common stock of EMD would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock of EDF, based on the net asset value of each Fund on the date preceding the Merger. EDF will not issue fractional shares to EMD stockholders. In lieu of issuing fractional shares, EDF will pay cash to each former holder of EMD common stock in an amount equal to the value of the fractional shares of EDF common stock that the investor would otherwise have received in the Merger. The currently issued and outstanding common shares of EDF will remain issued and outstanding.

Both EDF and EMD are closed-end, non-diversified management investment companies listed on the New York Stock Exchange. The Funds investment objectives are identical. Each Fund s investment objective is to seek a high level of current income. As a secondary objective, each Fund seeks capital appreciation. A more detailed comparison of the Funds investment objectives and policies appears in the attached Proxy Statement/Prospectus. The current investment objectives and policies of EDF will continue unchanged if the Merger occurs.

The Board believes that the Merger is in the best interests of EMD and its stockholders. EMD and EDF have identical investment objectives, very similar policies, strategies and risks, and pay management fees at the same rate. In addition, as a result of the Merger, the Board believes the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity. Furthermore, the Board believes that the size of EDF allows for additional opportunities for the combined Fund to invest in a broad range of securities that fall within its investment objectives and policies. The Merger will also result in streamlined emerging market product offerings, allowing for more focused sales, marketing and stockholder servicing efforts.

Your vote is very important to us regardless of the number of shares you own. Whether or not you plan to attend the Meeting in person, please read the Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for voting by touch-tone telephone or on the Internet.

If you have any questions about the proposals to be voted on, please call Computershare Fund Services at 866-612-5815.

It is important that your vote be received no later than the time of the Meeting.

Sincerely,

R. Jay Gerken

President and Chief Executive Officer

WESTERN ASSET EMERGING MARKETS INCOME FUND INC.

IMPORTANT NEWS FOR STOCKHOLDERS

The enclosed combined Proxy Statement/Prospectus describes a proposal to merge Western Asset Emerging Markets Income Fund Inc. (EMD) with and into Western Asset Emerging Markets Income Fund II Inc. (EDF, and together with EMD, the Funds) in accordance with the Maryland General Corporation Law.

While we encourage you to read the full text of the enclosed combined Proxy Statement/Prospectus, here is a brief overview of the proposed merger. Please refer to the more complete information contained elsewhere in the combined Proxy Statement/Prospectus about the merger.

COMMON QUESTIONS ABOUT THE PROPOSED MERGER

Q. Why am I receiving the Proxy Statement/Prospectus?

A. You are being asked to vote in favor of a proposal to approve the merger of Western Asset Emerging Markets Income Fund Inc. with and into Western Asset Emerging Markets Income Fund II Inc. in accordance with the Maryland General Corporation Law.

Q. How will the merger affect me?

A. If the merger is approved, EMD will be merged with and into EDF in accordance with the Maryland General Corporation Law. EMD s assets and liabilities will be combined with the assets and liabilities of EDF, and stockholders of EMD will become stockholders of EDF.

As a result of the merger, each share of common stock of EMD would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock of EDF, based on the net asset value of each Fund on the date preceding the merger. EDF will not issue fractional shares to EMD stockholders. In lieu of issuing fractional shares, EDF will pay cash to each former EMD stockholder in an amount equal to the value of the fractional shares of EDF common stock that the investor would otherwise have received in the merger. The currently issued and outstanding shares of EDF common stock will remain issued and outstanding.

Q. What will the combined Fund be known as?

After the merger is effected, EDF will be renamed Western Asset Emerging Markets Income Fund Inc. and change its New York Stock Exchange (NYSE) ticker symbol to EMD .

Q. Are EDF s investment objectives and policies similar to those of EMD?

A. EDF and EMD have identical investment objectives. Each Fund s primary investment objective is to seek a high level of current income. As a secondary objective, each Fund seeks capital appreciation.

EDF and EMD have very similar investments policies, but there are some differences.

Under normal conditions, both Funds invest at least 80% of their total assets in debt securities of government and government related issuers located in emerging market countries, of entities organized to restructure outstanding debt of such issuers and in debt securities of corporate issuers located in emerging market countries. Furthermore, both Funds may invest up to 20% of their total assets in a broad range of other U.S. and non-U.S. fixed-income securities, including, but not limited to, corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls. Such securities may be rated high-yield (i.e., rated below investment grade by any nationally recognized statistical rating organization) or, if unrated, of equivalent quality as determined by Legg Mason Partners Fund Advisor, LLC (LMPFA or the Manager).

The current investment objectives and policies of EDF will continue unchanged if the merger occurs.

Please see Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives and policies.

Q. Why is the merger being recommended?

A. The Board believes that the merger is in the best interests of EMD and its stockholders. EMD and EDF have identical investment objectives, very similar policies, strategies and risks, and pay management fees at the same rate. In addition, as a result of the merger, the Board believes the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity. Furthermore, the Board believes that the size of EDF allows for additional opportunities for the combined Fund to invest in a broad range of securities that fall within its investment objectives and policies. The merger will also result in streamlined emerging market product offerings, allowing for more focused sales, marketing and stockholder servicing efforts.

At a meeting held on May 23, 2008, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

Q. How will the merger affect Fund fees and expenses?

A. EMD pays the Manager an investment management fee, calculated daily and paid monthly, at an annual rate of 1.05% of EMD s average weekly net assets. EDF pays LMPFA, which is also EDF s investment manager, an investment management fee, calculated daily and paid monthly, at an annual rate of 1.05% of the Fund s average weekly net assets.

For stockholders of EMD and EDF, the management fee as a percentage of Fund assets will not change as a result of the merger. However, because the fixed expenses of the combined Fund following the merger will be spread over a larger asset base, the per share expense ratio is expected to fall. As a result of the merger, total expenses paid by EMD stockholders are expected to decline from 1.78% (as of May 31, 2008) to approximately 1.53% in the combined Fund.

Q. Will I have to pay any taxes as a result of the merger?

A. The merger is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming the merger qualifies for such treatment, you generally will not recognize a gain or loss for federal income tax purposes as a result of the merger. EMD stockholders may, however, recognize gain or loss with respect to cash such stockholders receive pursuant to the merger in lieu of fractional shares. As a condition to the closing of the merger, EMD and EDF will each receive an opinion of counsel to the effect that the merger will qualify for such treatment. Opinions of counsel are not binding on the Internal Revenue Service or the courts. You should talk to your tax advisor about any state, local and other tax consequences of the merger. See Proposal 1 Information About the Proposed Merger Federal Income Tax Consequences.

Q. What is the discount/premium history of each Fund? What are the total assets of each Fund?

A. For the last two calendar years through June 30, 2008, EDF Common Shares have traded at a discount ranging from approximately 7% to 17% to its net asset value per share, whereas EMD Common Shares have traded from a premium of approximately 8% to a discount of approximately 17% to its net asset value per share. On June 30, 2008, EDF Common Shares traded at a 7.418% discount to EDF s net asset value per share. Also on June 30, 2008, EMD Common Shares traded at a 7.114% discount to EMD s net asset value per share. See Proposal 1 Additional Information About the Funds Net Asset Value, Market Price and Premium/Discount.

In addition, as of June 30, 2008, EDF and EMD had total assets of $342.2 million and $59.4 million, respectively.

Q. Why is EDF the surviving entity of the merger?

A. EDF is approximately six times the size of EMD in terms of total assets. Given its larger asset base and scale, EDF is better suited to be the surviving entity of the merger.

Q. Who will pay for the merger?

A. The costs of the merger will be split among Legg Mason, Inc. (Legg Mason) and its affiliates, EDF and EMD. Legg Mason and its affiliates has agreed to bear 50% of the expenses incurred in connection with the merger. The remaining 50% will be borne by EDF and EMD in proportion to their respective total assets.

Q. How does the Board recommend that I vote on the merger?

A. EMD s Board of Directors, including all of the Independent Directors, unanimously recommends that you vote FOR the merger.

Q. What will happen if the merger is not approved?

A. If the merger is not approved, EMD will continue as a separate investment company, and EMD s Board of Directors may consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the merger.

Q. When is the merger expected to happen?

A. If EMD s stockholders approve the merger, the merger is expected to occur on or about October 31, 2008.

Q. Will my vote make a difference?

A. Your vote is very important and can make a difference in the governance of EMD, no matter how many shares you own. Your vote can help ensure that the proposal recommended by the Board of Directors can be implemented. We encourage all stockholders to participate in the governance of EMD.

Q. Whom do I call if I have questions?

A. If you need more information, or have any questions about voting, please call Computershare Fund Services, the Fund s proxy solicitor, at 866-612-5815.

Q. How do I vote my shares?

A. You can provide voting instructions by telephone by calling the toll-free number on the enclosed proxy card or electronically by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide. Alternatively, you can vote your shares by signing and dating the enclosed proxy card and mailing it in the enclosed postage-paid envelope.

You may also attend the Meeting and vote in person. However, even if you intend to attend the Meeting, we encourage you to provide voting instructions by one of the methods described above.

It is important that you vote promptly.

WESTERN ASSET EMERGING MARKETS INCOME FUND INC.

620 Eighth Avenue, 49th Floor

New York, New York 10018

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

, 2008

To the Stockholders:

A Special Meeting of Stockholders (the Meeting) of Western Asset Emerging Markets Income Fund Inc. (EMD) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on Friday, October 17, 2008 at 4:00 p.m., Eastern Standard Time, to consider and vote on the following proposals, as more fully described in the enclosed Proxy Statement/Prospectus:

1. A proposal to approve the merger of Western Asset Emerging Markets Income Fund Inc. with and into Western Asset Emerging Markets Income Fund II Inc. in accordance with the Maryland General Corporation Law.

2. The transaction of such other business as may be properly presented at the Meeting or any adjournment thereof.

The Board recommends that you vote FOR the Proposal upon which you are being asked to vote.

Stockholders of record at the close of business on July 23, 2008 are entitled to vote at the Meeting and at any adjournments or postponements thereof.

By order of the Board of Directors,

Robert I. Frenkel

Secretary

, 2008

INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to the Fund involved in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card.

2. *Joint Accounts:* Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.

3. *All Other Accounts:* The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Registration	Valid Signature
Corporate Accounts	
(1) ABC Corp.	ABC Corp. (by John Doe, Treasurer)
(2) ABC Corp.	John Doe, Treasurer
(3) ABC Corp., c/o John Doe, Treasurer	John Doe
(4) ABC Corp. Profit Sharing Plan	John Doe, Trustee
Trust Accounts	
(1) ABC Trust	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee, u/t/d 12/28/78	Jane B. Doe
Custodial or Estate Accounts	
(1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA	John B. Smith
(2) John B. Smith	John B. Smith, Jr., Executor

II

PROXY STATEMENT/PROSPECTUS

, 2008

PROXY STATEMENT FOR:

WESTERN ASSET EMERGING MARKETS INCOME FUND INC.

620 Eighth Avenue, 49th Floor

New York, New York 10018

800-451-2010

PROSPECTUS FOR:

WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

620 Eighth Avenue, 49th Floor

New York, New York 10018

800-451-2010

This combined Proxy Statement and Prospectus (the Proxy Statement/Prospectus) is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Western Asset Emerging Markets Income Fund Inc. (EMD) for EMD s Special Meeting of Stockholders (the Meeting). The Meeting will be held on Friday, October 17, 2008 at 620 Eighth Avenue, 49th Floor, New York, New York at 4:00 p.m. Eastern Standard Time. At the Meeting, stockholders of EMD will be asked to consider and act upon the following:

1. A proposal to approve the merger of Western Asset Emerging Markets Income Fund Inc. with and into Western Asset Emerging Markets Income Fund II Inc. in accordance with the Maryland General Corporation Law.

2. The transaction of such other business as may be properly presented at the Meeting or any adjournment thereof.

If Proposal 1 is approved, as a result of the merger of EMD with and into EDF (the Merger) in accordance with the Maryland General Corporation Law, each share of common stock, par value $0.001 per share, of EMD (the EMD Common Shares) would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock, par value $0.001 per share, of EDF (the EDF Common Shares), based on the net asset value of each Fund on the date preceding the Merger. EDF will not issue fractional EDF Common Shares to holders of EMD Common Shares. In lieu of issuing fractional shares, EDF will pay cash to each former holder of EMD Common Shares in an amount equal to the value of the fractional EDF Common Shares that the investor would otherwise have received in the Merger. Although the EDF Common Shares received in the Merger will have the same total net asset value as the EMD Common Shares held immediately before the Merger (disregarding fractional shares), their stock price on the New York Stock Exchange (NYSE) may be greater or less than that of the EMD Common Shares, based on current market prices persisting at the time of the Merger. All EDF Common Shares currently issued and outstanding will remain issued and outstanding following the Merger.

Each Fund s primary investment objective is to seek a high level of current income. As a secondary objective, each Fund seeks capital appreciation. The current investment objectives and policies of EDF will continue unchanged if the Merger occurs. Please see Proposal 1 Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives and policies.

The Board believes that the Merger is in the best interests of EMD and its stockholders. EMD and EDF have identical investment objectives, very similar policies, strategies and risks, and pay management fees at the same rate. In addition, as a result of the Merger, the Board believes the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity.

Furthermore, the Board believes that the size of EDF allows for additional opportunities for the combined Fund to invest in a broad range of securities that fall within its investment objectives and policies. The Merger will also result in streamlined emerging market product offerings, allowing for more focused sales, marketing and stockholder servicing efforts.

At a meeting held on May 23, 2008, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

EDF was incorporated in Maryland on April 27, 1993; EMD was incorporated in Maryland on July 30, 1992. Both EDF and EMD are closed-end, non-diversified management investment companies listed on the NYSE.

The Merger will be effected pursuant to an Agreement and Plan of Merger, a form of which is attached to this Proxy Statement/Prospectus as Appendix A. The material terms and conditions of the Agreement and Plan of Merger are summarized in this Proxy Statement/Prospectus. See Proposal 1 Information About the Proposed Merger The Agreement and Plan of Merger.

This Proxy Statement/Prospectus serves as a prospectus for EDF Common Shares under the Securities Act of 1933, as amended (the Securities Act), in connection with the issuance of EDF Common Shares in the Merger.

Assuming the holders of EMD Common Shares approve the Merger and all other conditions to the consummation of the Merger are satisfied or waived, the Funds will jointly file articles of merger (the Articles of Merger) with the State Department of Assessments and Taxation of Maryland (the SDAT). The Merger will become effective when the SDAT accepts for record the Articles of Merger or at such later time, which may not exceed 30 days after the Articles of Merger are accepted for record, as specified in the Articles of Merger. The date when the Articles of Merger are accepted for record, or the later date, is referred to in this Proxy Statement/Prospectus as the Closing Date. EMD, as soon as practical after the Closing Date, will withdraw its registration under the Investment Company Act of 1940, as amended (the 1940 Act).

The Merger is being structured as a tax-free reorganization for federal income tax purposes. See Proposal 1 Information About the Proposed Merger Federal Income Tax Consequences. Stockholders should consult their tax advisors to determine the actual impact of the Merger on them in light of their individual tax circumstances.

You should retain this Proxy Statement/Prospectus for future reference as it sets forth concisely information about EDF and EMD that you should know before voting on the proposed Merger described below.

A Statement of Additional Information (SAI) dated , 2008, which contains additional information about the Merger and the Funds, has been filed with the Securities and Exchange Commission (SEC). The SAI, as well as EDF s Annual Report to Stockholders for the Fiscal Year Ended May 31, 2008, filed with the SEC on August 7, 2008 (accession no. 0001104659-08-050830), EMD s Annual Report to Stockholders for the Fiscal Year Ended August 31, 2007, filed with the SEC on November 8, 2007 (accession no. 0001104659-07-081146), and EMD s Semi-Annual Report to Stockholders for the Semi-Annual Period Ended February 29, 2008, filed with the SEC on May 5, 2008 (accession no. 0001104659-08-029949), which highlight certain important information such as investment performance and expense and financial information, are incorporated by reference into this Proxy Statement/Prospectus. In addition, stockholder reports, proxy materials and other information concerning EDF (File No. 811-07686) and EMD (File No. 811-07066) can be inspected at the NYSE. You may receive free of charge a copy of the SAI, or the annual report and semi-annual report for either Fund, by contacting Legg Mason Shareholder Services at 800-822-5544, by writing the Fund at the address listed above or by visiting our website at *www.leggmason.com/cef*.

In addition, you can copy and review this Proxy Statement/Prospectus (File No. 333-152308) and the complete filing on Form N-14 containing the Proxy Statement/Prospectus and any of the above-referenced documents at the SEC s Public Reference Room in Washington, DC. You may obtain information about the operation of the Public Reference Room by calling the SEC at 202-551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC s Internet site at *www.sec.gov*. You may also obtain copies of this information, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC s Public Reference Room, 100 F Street, N.E., Washington, DC 20549.

EDF Common Shares are listed on the NYSE under the symbol EDF, and EMD Common Shares are listed on the NYSE under the symbol EMD . After the Closing Date, EDF will be renamed Western Asset Emerging Markets Income Fund Inc. and will change its ticker symbol to EMD .

The information contained herein concerning EDF and EMD has been provided by, and is included herein in reliance upon, EDF and EMD, respectively.

The Securities and Exchange Commission has not approved or disapproved these securities nor passed upon the accuracy or adequacy of this Proxy Statement/Prospectus. Any representation to the contrary is a criminal offense.

TABLE OF CONTENTS

I

PROPOSAL 1 TO APPROVE THE MERGER OF EMD WITH AND INTO EDF IN ACCORDANCE WITH THE MARYLAND GENERAL CORPORATION LAW

SUMMARY

This summary is qualified in its entirety by reference to the additional information contained elsewhere in this Proxy Statement/Prospectus and the Agreement and Plan of Merger, a form of which is attached to this Proxy Statement/Prospectus as Appendix A.

Background

Both Funds primary investment objective is to seek a high level of current income. As a secondary objective, both Funds seek capital appreciation.

The Board believes that the Merger is in the best interests of EMD and its stockholders. EMD and EDF have identical investment objectives, very similar policies, strategies and risks, and pay management fees at the same rate. In addition, as a result of the Merger, the Board believes the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity. Furthermore, the Board believes that the size of EDF allows for additional opportunities for the combined Fund to invest in a broad range of securities that fall within its investment objectives and policies. The Merger will also result in streamlined emerging market product offerings, allowing for more focused sales, marketing and stockholder servicing efforts.

At a meeting held on May 23, 2008, the Boards of EMD and EDF, including all of the Independent Directors, unanimously approved the Agreement and Plan of Merger with respect to each Fund. As a result of the Merger:

- each EMD Common Share will convert into an equivalent dollar amount (to the nearest $0.001) of full EDF Common Shares, based on the net asset value per share of each Fund calculated at 4:00 p.m. on the Business Day preceding the Closing Date;

- each holder of EMD Common Shares will become a holder of EDF Common Shares and will receive, on the Closing Date, that number of EDF Common Shares having an aggregate net asset value (disregarding fractional shares) equal to the aggregate net asset value of such stockholder s EMD Common Shares as of the close of business on the Business Day preceding the Closing Date; and

- EDF will not issue any fractional EDF Common Shares to its stockholders. In lieu thereof, EDF will pay cash to each former holder of EMD Common Shares in an amount equal to the value of the fractional EDF Common Shares that investor would otherwise have received in the Merger.

If the Merger is not approved, EMD will continue as a separate investment company, and the Board of EMD may consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

For the reasons set forth below in Information About the Proposed Merger Reasons for the Merger and Board Considerations, the Board of EMD, including all of the Independent Directors, has concluded that the Merger would be in the best interests of EMD, and that the interests of the holders of EMD Common Shares would not be diluted as a result of the Merger. **The Board, therefore, is hereby submitting the Merger to the holders of EMD Common Shares and recommends that stockholders of EMD vote FOR the Merger.**

The Merger has been approved unanimously by EMD s Board of Directors, including all of the Independent Directors of EMD. Under EMD s Charter, approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding EMD Common Shares. See Voting Information below. If stockholders of EMD approve the Merger, the Closing Date of the Merger is expected to be on or about October 31, 2008. Under the Maryland General Corporation Law, the stockholders of EDF are not required to approve the Merger. Furthermore, because of the relative sizes of EDF and EMD, NYSE rules also do not require stockholders of EDF to approve the Merger.

Prior to completion of the Merger, EMD and EDF will each have received an opinion of Simpson Thacher & Bartlett LLP to the effect that the Merger will qualify as a tax-free reorganization for federal income tax purposes. Accordingly, for federal income tax purposes, (i) no gain or loss will generally be recognized by EMD or the holders of EMD Common Shares as a result of the Merger, (ii) the aggregate tax basis of the EDF Common Shares received by the holders of EMD Common Shares (including that of fractional EDF Common Shares purchased by EDF) will be the same as the aggregate tax basis of the holders EMD Common Shares and (iii) a holder s holding period for EDF Common Shares (including that of fractional EDF Common Shares purchased by EDF) will generally be determined by including the period for which he or she held EMD Common Shares converted pursuant to the Merger, provided that such shares were held as capital assets. Holders of EMD Common Shares may, however, recognize gain or loss with respect to cash such holders receive pursuant to the Merger in lieu of fractional shares. For more information about the federal income tax consequences of the Merger, see Information about the Proposed Merger Federal Income Tax Consequences below.

Comparison of Investment Objectives, Principal Investment Strategies and Principal Risks

EDF and EMD have identical investment objectives. Each Fund s primary investment objective is to seek a high level of current income. As a secondary objective, each Fund seeks capital appreciation.

EDF and EMD have very similar investment policies, but there are some differences.

Under normal conditions, both Funds invest at least 80% of their total assets in debt securities of government and government related issuers located in emerging market countries, of entities organized to restructure outstanding debt of such issuers and in debt securities of corporate issuers located in emerging market countries. Furthermore, both Funds may invest up to 20% of their total assets in a broad range of other U.S. and non-U.S. fixed-income securities, including, but not limited to, corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls. Such securities may be rated high-yield, i.e., rated below investment grade by any nationally recognized statistical rating organization) or, if unrated, of equivalent quality as determined by Legg Mason Partners Fund Advisor, LLC (LMPFA or the Manager).

The current investment objectives and policies of EDF will continue unchanged if the Merger occurs. The Board has no current intention to change either the investment objectives or policies of EDF. In addition, EDF s investment objectives are fundamental and cannot be changed without the approval of the holders of a majority of EDF s outstanding voting securities, meaning the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares. EDF s investment policies are non-fundamental policies and may be amended without shareholder approval.

Neither Fund is intended to be a complete investment program, and there is no assurance that either Fund will achieve its objectives.

The preceding summary of the Funds investment objectives and certain policies should be considered in conjunction with the discussion below under Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds Investment Objectives, Principal Investment Policies, Fundamental Investment Restrictions and Risk Factors.

Effect on Expenses

As a result of the Merger, total expenses paid by EMD stockholders are expected to decline from 1.78% (as of May 31, 2008) to approximately 1.53% in the combined Fund.

Fee Table and Expense Example

The tables below (1) compare the estimated fees and expenses of each Fund, as of May 31, 2008, and (2) show the estimated fees and expenses of the combined Fund, on a pro forma basis, as if the Merger occurred on May 31, 2008. The estimates are based on the contracts and agreements in effect as of May 31, 2008 and reflect the operating expense accrual rates on that date, which are based on each Fund s net assets as of May 31, 2008. Accordingly, the actual fees and expenses of each Fund and the combined Fund as of the Closing Date of the Merger may differ from those reflected in the tables below due to changes in net assets from those at May 31, 2008. No amount of any prior fee waiver or expense reimbursement to EDF or EMD may be recouped by any person.

Changes in net assets may result from market appreciation or depreciation and other factors occurring between May 31, 2008 and the Closing Date of the Merger. As a general matter, changes (positive or negative) in a Fund s expense ratio resulting from fluctuations in the Fund s net assets will be borne by the stockholders of that Fund and the combined Fund. For information concerning the net assets of each Fund as of May 31, 2008, please see Capitalization.

The estimated expenses of EDF and EMD as of May 31, 2008 and pro forma expenses following the proposed Merger are set forth below. The percentages in the table below are percentages of the Funds net assets attributable to common shares.

Fee Table

	Pre-Reorganization		
	EMD (Target Fund)	**EDF (Acquiring Fund)**	**Pro Forma Combined Fund**
Management Fee (% of average weekly net assets)	1.05%	1.05%	1.05%
Interest expense	0.26%	0.25%	0.25%
Other expenses	0.47%	0.23%	0.23%
Total annual fund operating expenses	1.78%	1.53%	1.53%

Example

The following example helps you compare the costs of investing in the Funds common shares with the costs of investing in other funds. The example assumes that you invest $1,000 in common shares for the periods shown, that your investment has a 5% return each year, that you reinvest all distributions and dividends and that the Funds operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	**3 Years**	**5 Years**	**10 Years**
EDF (Acquiring Fund)	16	49	84	182
EMD (Target Fund)	18	56	97	210
Pro Forma Combined Fund	16	49	84	182

COMPARISON OF INVESTMENT OBJECTIVES, STRATEGIES AND PRINCIPAL RISKS OF INVESTING IN THE FUNDS

The following chart lists the investment objectives, principal investment policies and fundamental investment restrictions of EMD and EDF and describes the principal differences between the Funds respective policies. The chart provides EMD stockholders with a means of comparing the investment objectives, policies and strategies of EMD with those of EDF.

Investment Objectives

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
EMD s primary investment objective is to seek high current income. As a secondary objective, EMD will seek capital appreciation.	EDF s primary investment objective is to seek high current income. As a secondary objective, EDF seeks capital appreciation.	No difference.

Principal Investment Policies

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
Under normal market conditions, EMD invests at least 80% of its total assets in debt securities of government and government related issuers located in emerging market countries, of entities organized to restructure outstanding debt of such issuers and debt securities of corporate issuers in emerging market countries. *Note:* The entities organized to restructure outstanding debt of such issuers do not refer to passive pools of investments.	Under normal market conditions, EDF invests at least 80% of its total assets in debt securities of government and government related issuers located in emerging market countries, of entities organized to restructure outstanding debt of such issuers, and debt securities of corporate issuers in emerging market countries.	No difference.
EMD may invest up to 20% of its total assets in a broad range of other U.S. and non-U.S. fixed-income securities, including, but not limited to, corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls. Such securities may be rated high yield (i.e., rated below investment grade by any nationally recognized statistical rating organization) or, if unrated, of equivalent quality as determined by the Manager.	EDF may invest up to 20% of its total assets in a broad range of other U.S. and non-U.S. fixed-income securities, including, but not limited to, corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls. Such securities may be rated high yield (i.e., rated below investment grade by any nationally recognized statistical rating organization) or, if unrated, of equivalent quality as determined by the Manager.	No difference.
EMD s investments in government and government related and restructured debt securities will consist of (i) debt securities or obligations issued or guaranteed by governments, governmental agencies or instrumentalities and political subdivisions located in emerging market countries (including participations in loans between governments and financial institutions), (ii) debt securities or obligations issued by government owned, controlled or sponsored	EDF s investments in government and government related and restructured debt securities consist of (i) debt securities or obligations issued or guaranteed by governments, governmental agencies or instrumentalities and political subdivisions located in emerging market countries (including participations in loans between governments and financial institutions), (ii) debt securities or obligations issued by government owned, controlled or sponsored	No difference.

4

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
entities located in emerging market countries, and (iii) interests in issuers organized and operated for the purpose of restructuring the investment characteristics of instruments issued by any of the entities described above.	entities located in emerging market countries (including participations in loans between governments and financial institutions), and (iii) interests in issuers organized and operated for the purpose of restructuring the investment characteristics of instruments issued by any of the entities described above.	
Emerging market country debt securities held by EMD take the form of bonds, notes, bills, debentures, convertible securities, warrants, bank debt obligations, short-term paper, loan participations, loan assignments and interests issued by entities organized and operated for the purpose of restructuring the investment characteristics of instruments issued by emerging market country issuers. Dollar-denominated emerging market country debt securities held by EMD are generally listed but not traded on a securities exchange, and non-dollar-denominated securities held, by EMD may or may not be listed or traded on a securities exchange.	Emerging market country debt securities held by EDF take the form of bonds, notes, bills, debentures, convertible securities, warrants, bank debt obligations, short-term paper, loan participations, loan assignments and interests issued by entities organized and operated for the purpose of restructuring the investment characteristics of instruments issued by emerging market country issuers. Dollar-denominated emerging market country debt securities held by EDF are generally listed but not traded on a securities exchange, and non-dollar-denominated securities held by EDF may or may not be listed or traded on a securities exchange.	No difference.
EMD is not subject to any restrictions on the maturities of the emerging market country debt securities it holds.	EDF is not subject to any restrictions on the maturities of the emerging market country debt securities it holds.	No difference.
A substantial portion of EMD s total assets is likely to be invested from time to time in certain Brady Bonds and other debt obligations acquired at a discount.	A substantial portion of EDF s total assets are invested from time to time in certain Brady Bonds and other debt obligations acquired at a discount.	No difference.
EMD invests with a long-term perspective, and is not intended to be a trading or arbitrage vehicle. EMD anticipates that its annual portfolio turnover rate will not exceed 100%.	EDF invests with a long-term perspective, and is not intended to be a trading or arbitrage vehicle.	No significant difference, except that EMD anticipates that its annual portfolio turnover rate will not exceed 100%.
EMD has no minimum level of which it must invest in U.S. dollar-denominated securities.	EDF has no minimum level of which it must invest in U.S. dollar-denominated securities.	No difference.
Although EMD generally does not concentrate its investments in any industry, it is permitted under certain conditions to invest more than 25% of its assets in the securities of issuers whose primary business activity is in the oil or telecommunications industry. Prior to concentrating in the securities of issuers in the oil or telecommunications industry, EMD s Board of Directors would have to determine, based on factors in existence at the time of the decision, such as liquidity, availability of investments and anticipated returns, that EMD s ability to achieve its investment objectives would be materially	Although EDF generally does not concentrate its investments in any industry, it is permitted under certain conditions to invest more than 25% of its assets in the securities of issuers whose primary business activity is in the oil or telecommunications industry. Prior to concentrating in the securities of issuers in the oil or telecommunications industry, EDF s Board of Directors must determine, based on factors in existence at the time of the decision, such as liquidity, availability of investments and anticipated returns, that EDF s ability to achieve its investment	No difference.

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
adversely affected if EMD were not permitted to invest more than 25% of its total assets in those securities.	objectives would be materially adversely affected if EDF was not permitted to invest more than 25% of its total assets in those securities.	
Emerging market country debt securities are selected based upon credit risk analysis of potential issuers, the characteristics of the security and interest rate sensitivity of the various debt issues for a single issuer, analysis of volatility and liquidity of these particular debt instruments, and the tax implications of various instruments to EMD.	Emerging market country debt securities are selected based upon credit risk analysis of potential issuers, the characteristics of the security and interest rate sensitivity of the various debt issues for a single issuer, currency risk considerations, analysis of volatility and liquidity of these particular debt instruments, and the tax implications of various instruments to EDF.	No difference.
EMD may invest in Brady Bonds and other sovereign debt securities of countries that have restructured or are in the process of restructuring sovereign debt pursuant to the Brady Plan.	EDF may invest in Brady Bonds and other sovereign debt securities of countries that have restructured or are in the process of restructuring sovereign debt pursuant to the Brady Plan.	No difference.
EMD may invest in fixed and floating rate loans arranged through private negotiations between a foreign sovereign entity and one or more financial institutions. EMD may invest in such loans in the form of participations in loans and assignments of all or a portion of loans from third parties.	EDF may invest in fixed and floating rate loans arranged through private negotiations between a foreign sovereign entity and one or more financial institutions. EDF may invest in such loans in the form of participations in loans and assignments of all or a portion of loans from third parties.	No difference.
Included among the issuers of emerging market country debt securities in which EMD may invest are entities organized and operated solely for the purpose of restructuring the investment characteristics of various securities.	Included among the issuers of emerging market country debt securities in which EDF may invest are entities organized and operated solely for the purpose of restructuring the investment characteristics of various securities.	No difference.
EMD is permitted to invest in a class of structured investments that is either subordinated or unsubordinated to the right of payment of another class.	EDF is permitted to invest in a class of structured investments that is either subordinated or unsubordinated to the right of payment of another class.	
EMD may hold and/or invest up to 10% of its total assets in cash and/or temporary investments for cash management purposes, pending investment in accordance EMD s investment objectives and policies and to meet operating expenses. In addition, EMD may take a temporary defensive posture and invest without limitation in temporary investments.	EDF may hold and/or invest up to 10% of its total assets in cash and/or temporary investments for cash management purposes, pending investment in accordance with EDF s investment objectives and policies and to meet operating expenses. In addition, EDF may take a temporary defensive posture and invest without limitation in temporary investments.	No difference.
Temporary investments are debt securities denominated in dollars or in another hard currency including: (l) short-term (less than 12 months to maturity) and medium-term (not greater than five years to maturity) obligations issued or guaranteed by (a) the U.S. government or the government of a	Temporary investments are debt securities denominated in dollars or in another hard currency including: (1) short-term (less than 12 months to maturity) and medium-term (not greater than five years to maturity) obligations issued or guaranteed by (a) the U.S. government or the	

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
non-emerging market country, their agencies or instrumentalities or (b) international organizations designated or supported by multiple foreign governmental entities to promote economic reconstruction or development (supranational entities); (2) finance company obligations, corporate commercial paper and other short-term commercial obligations, in each case rated or issued by companies with similar securities outstanding that are rated Prime-1 or A or better by Moody s or A-1 or A or better by S&P or, if unrated, of comparable quality as determined by the Investment Manager; (3) obligations (including certificates of deposit, time deposits, demand deposits and bankers acceptances) of banks, subject to the restriction that EMD may not invest more than 25% of its total assets in bank securities; and (4) repurchase agreements with respect to securities in which EMD may invest.	government of a non-emerging market country, their agencies or instrumentalities or (b) international organizations designated or supported by multiple foreign governmental entities to promote economic reconstruction or development (supranational entities); (2) finance company obligations, corporate commercial paper and other short-term commercial obligations, in each case rated or issued by companies with similar securities outstanding that are rated Prime-1 or A or better by Moody s or A-1 or A or better by S&P or, if unrated, of comparable quality as determined by the investment adviser; (3) obligations (including certificates of deposit, time deposits, demand deposits and bankers acceptances) of banks, subject to the restriction that EDF may not invest more than 25% of its total assets in bank securities; and (4) repurchase agreements with respect to securities in which EDF may invest.	
EMD may invest in emerging market country debt securities that are sold in private placement transactions between their issuers and their purchasers and that are neither listed on an exchange nor traded over-the-counter (OTC).	EDF may invest in emerging market country debt securities that are sold in private placement transactions between their issuers and their and their purchasers and that are neither listed on an exchange nor traded over-the-counter.	No difference.
EMD may invest in convertible securities. EMD has no current intention of converting any convertible securities it may own into equity securities or holding them as an equity investment upon conversion, although it may do so for temporary purposes.	EDF may invest in convertible securities. EDF has no current intention of converting any convertible securities it may own into equity securities or holding them as an equity investment upon conversion, although it may do so for temporary purposes.	No difference.
EMD may invest in warrants for equity securities that are acquired as units with debt instruments and warrants for debt securities.	EDF may invest in warrants for equity securities that are acquired as units with debt instruments and warrants for debt securities.	No difference.
EMD does not intend to retain in its portfolio any common stock received upon the exercise of a warrant and will sell the common stock as promptly as practicable and in a manner that it believes will reduce its risk of a loss in connection with the sale.	EDF does not intend to retain in its portfolio any common stock received upon the exercise of a warrant and will sell the common stock as promptly as practicable and in a manner that it believes will reduce its risk of a loss in connection with the sale.	No difference.
EMD is authorized to borrow money from banks and other entities in an amount equal to up to $33^{1}/_{3}$% of EMD s total assets (including the amount borrowed), less all liabilities and indebtedness other than the borrowing, and may use the proceeds of the borrowing for investment purposes or to repurchase its shares.	EDF has utilized and intends to continue utilizing leverage by borrowing or by issuing shares of preferred stock or short-term debt securities. EDF intends to leverage in an amount up to $33\ ^{1}/3$% of its total assets including the amount obtained from leverage. EDF	EMD may leverage only through borrowings. EMD has no policy with respect to applying for, or obtaining a minimum rating from a credit agency. EDF may leverage through borrowing or issuing

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
	currently has in place a secured line of credit from a commercial bank and utilizes leverage in an amount equal to 33% of its total assets including the amount obtained from leverage. EDF may apply for a rating from Moody s and/or S&P on any preferred stock or short-term debt which it issues; however, no minimum rating is required for the issuance of preferred stock or short-term debt by the fund.	preferred stock. EDF intends to leverage in an amount up to 33 1/3% of its total assets including the amount obtained from leverage. EDF may apply for a rating from a credit agency, with no specific minimum rating needed.
EMD expects all of its borrowings to be on a secured basis.	EDF expects all of its borrowing to be on a secured basis.	No difference.
No corresponding policy.	If EDF leverages through preferred stock, under the requirements of the 1940 Act, the value of EDF s total assets, less all liabilities and indebtedness of EDF not represented by senior securities, as defined in the 1940 Act, must be equal, immediately after any such issuance of preferred stock, to at least 200% of the aggregate amount of senior securities representing indebtedness plus the aggregate liquidation preference of any outstanding preferred stock. Such percentage must also be met any time EDF pays a dividend or makes any other distribution on common stock (other than a distribution in common stock) or any time EDF repurchases common stock, in each case after giving effect to such dividend, distribution or repurchase. The liquidation value of preferred stock is expected to equal the aggregate original purchase price plus any accrued and unpaid dividends thereon (whether or not earned or declared).	Effectively no difference. EDF s restriction basically recites the 1940 Act requirement, which EMD is also subject to.
No corresponding policy.	If EDF leverages through borrowing or issuing short-term debt securities, under the requirements of the 1940 Act, the value of EDF s total assets, less all liabilities and indebtedness of EDF not represented by senior securities, as defined in the 1940 Act, must at least be equal, immediately after the issuance of senior securities consisting of debt, to 300% of the aggregate principal amount of all outstanding senior securities of EDF which are debt. If EDF leverages through the issuance of senior securities consisting of debt, the 300% asset coverage maintenance ratio referred to above must also be met any time EDF declares a dividend or other distribution on common stock (other than a distribution in common stock) or any time EDF repurchases common stock, in each case after giving effect to such dividend, distribution or repurchase.	Effectively no difference. EDF s restriction basically recites the 1940 Act requirement, which EMD is also subject to.

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
EMD may enter into reverse repurchase agreements with any member bank of the Federal Reserve System and any broker-dealer or any foreign bank that has been determined by the Manager to be creditworthy.	EDF may enter into reverse repurchase agreements with any member bank of the Federal Reserve System and any broker-dealer or any foreign bank that has been determined by the Manager to be creditworthy.	No difference.
EMD may, in addition to engaging in the transactions described above, borrow money from banks for temporary or emergency purposes (including, for example, clearance of transactions, share repurchases or payments of dividends to stockholders) in an amount not exceeding 5% of the value of EMD s total assets (including the amount borrowed).	EDF may, in addition to engaging in the transactions described above, borrow money for temporary or emergency purposes (including, for example, clearance of transactions, share repurchases or payments of dividends to stockholders) in an amount not exceeding 5% of the value of EDF s total assets (including the amount borrowed).	No difference.
Subject to the constraints described above, EMD may purchase and sell financial futures contracts, it may purchase and sell (or write) exchange listed and OTC put and call options on securities, financial futures contracts and fixed income indices and other financial instruments and it may enter into interest rate transactions and enter into currency transactions.	Subject to the constraints described above, EDF may purchase and sell interest rate, currency, or stock or bond index futures contracts and enter into currency forward contracts and currency swaps; purchase and sell (or write) exchange listed and OTC put and call options on securities, loan participations and assignments, currencies, futures contracts, indices and other financial instruments; and enter into interest rate transactions, equity swaps and related transactions as well as other similar transactions.	No significant differences; both Funds may invest in a broad range of derivative instruments for hedging as well as in pursuit of their investment objectives.
EMD may purchase securities on a when-issued or delayed delivery basis.	EDF may purchase securities on a when-issued or delayed delivery basis.	No difference.
EMD may lend portfolio securities.	EDF may lend portfolio securities.	No difference.
EMD may lend securities from its portfolio if liquid assets in an amount at least equal to the current market value of the securities loaned (including accrued interest thereon) plus the interest payable to EMD with respect to the loan is maintained by EMD in a segregated account. EMD does not currently intend to make loans of portfolio securities with a value in excess of 25% of the value of its total assets.	No corresponding policy.	EDF has no minimum criteria it must meet before it is allowed to lend securities from its portfolio. In addition, EDF has no stated intention of any maximum value of its net assets that it will loan.
Any securities that EMD may receive as collateral will not become a part of its portfolio at the time of the loan and, in the event of a default by the borrower, EMD will, if permitted by law, dispose of such collateral except for such part thereof that is a security in which EMD is permitted to invest. During the time securities are on loan, the borrower will pay EMD any accrued income on those securities, and EMD may invest the cash collateral and earn additional income or receive an agreed-upon fee from a borrower that has delivered cash equivalent collateral.	Any securities that EDF may receive as collateral will not become a part of its portfolio at the time of the loan and, in the event of a default by the borrower, EDF will, if permitted by law, dispose of such collateral except for such part thereof that is a security in which EDF is permitted to invest. During the time securities are on loan, the borrower will pay EDF any accrued income on those securities, and EDF may invest the cash collateral and earn additional income or receive an agreed-upon fee from a borrower that has delivered	No difference.

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
Cash collateral received by EMD will be invested in securities in which EMD is permitted to invest. The value of securities loaned will be marked to market daily.	cash equivalent collateral. Cash collateral received by EDF will be invested in securities in which EDF is permitted to invest. The value of securities loaned will be marked to market daily.	
EMD may invest without limitation in illiquid securities for which there is a limited trading market and for which a low trading volume of a particular security may result in abrupt and erratic price movements.	EDF may invest without limitation in illiquid securities for which there is a limited trading market and for which a low trading volume of a particular security may result in abrupt and erratic price movements.	No difference.
EMD may invest in investment funds other than those for which the Manager or the Investment Adviser serves as investment adviser or sponsor and which invest principally in securities in which EMD is authorized to invest. Under the 1940 Act, EMD may invest a maximum of 10% of its total assets in the securities of other investment companies. In addition, under the 1940 Act, not more than 5% of EMD total assets may be invested in the securities of any one investment company.	EDF may invest in investment funds other than those for which the Manager or the investment adviser serves as investment adviser or sponsor and which invest principally in securities in which EDF is authorized to invest. Under the 1940 Act, EDF may invest a maximum of 10% of its total assets in the securities of other investment companies. In addition, under the 1940 Act, not more than 5% of EDF s total assets may be invested in the securities of any one investment company.	No difference.
EMD may from time to time sell securities short without limitation, although initially at the time of inception EMD did not intend to sell securities short.	EDF may from time to time sell securities short without limitation.	No difference.

Fundamental Investment Restrictions

The following restrictions, along with the Funds investment objectives, are each Fund s only fundamental policies that is, policies that cannot be changed without the approval of the holders of a 1940 Act Majority of the Fund s outstanding voting securities. As used in this Proxy Statement/Prospectus, a 1940 Act Majority means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares.

With respect to each Fund, the other policies and investment restrictions referred to in this Proxy Statement/Prospectus are not fundamental polices of the Fund and may be changed by the Fund s Board without stockholder approval. If a percentage restriction set forth below is adhered to at the time a transaction is effected, later changes in percentage resulting from any cause other than actions by the Fund will not be considered a violation.

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
EMD may not purchase any securities which would cause more than 25% of the value of its total assets at the time of such purchase to be invested in securities of one or more issuers conducting their principal business activities in the same industry, provided that there is no limitation with respect to (a) investment in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or (b) the purchase of securities of issuers whose primary business activity is in the oil	EDF may not purchase any securities which would cause more than 25% of the value of its total assets at the time of such purchase to be invested in securities of one or more issuers conducting their principal business activities in the same industry, provided that there is no limitation with respect to (a) investment in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or (b) the purchase of securities of issuers whose	No difference.

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
or telecommunications industry, so long as EMD s Board of Directors determines, on the basis of factors such as liquidity, availability of investments and anticipated returns, that EMD s ability to achieve its investment objectives would be materially adversely affected if EMD were not permitted to invest more than 25% of its total assets in those securities, and so long as EMD notifies its stockholders of any decision by the Board of Directors to permit or cease to permit EMD to invest more than 25% of its total assets in those securities, such notice to include a discussion of any increased investment risks to which EMD may be subjected as a result of the Board s determination.	primary business activity is in the oil or telecommunications industry, so long as EDF s Board of Directors determines, on the basis of factors such as liquidity, availability of investments and anticipated returns, that EDF s ability to achieve its investment objectives would be materially adversely affected if EDF were not permitted to invest more than 25% of its total assets in those securities, and so long as EDF notifies its stockholders of any decision by the Board of Directors to permit or cease to permit EDF to invest more than 25% of its total assets in those securities, such notice to include a discussion of any increased investment risks to which EDF may be subjected as a result of the Board s determination.	
EMD may not issue senior securities or borrow money, except that (a) EMD may borrow money from banks and other entities and enter into reverse repurchase agreements in an amount not to exceed $33^1/_3$% of its total assets (including the amount of the senior securities issued and the proceeds of the borrowings but excluding any liabilities and indebtedness not constituting senior securities or borrowings), (b) short-term credits necessary for settlement of securities transactions are not considered borrowings or senior securities, and (c) EMD may borrow up to an additional 5% of its total assets (including the amount borrowed) for temporary or emergency purposes without regard to the amount of senior securities and borrowings outstanding.	EDF may not issue senior securities or borrow money, except for (a) preferred stock and other senior securities (including borrowing money, including on margin if margin securities are owned, entering into reverse repurchase agreements and entering into similar transactions) not in excess of $33^1/_3$% of its total assets, and (b) borrowings up to 5% of its total assets (including the amount borrowed) for temporary or emergency purposes (including for clearance of transactions, repurchase of its shares or payment of dividends), without regard to the amount of senior securities outstanding under clause (a) above; provided, however, that EDF s obligations under when-issued and delayed delivery transactions and similar transactions and reverse repurchase agreements are not treated as senior securities if covering assets are appropriately segregated, and the use of derivatives shall not be deemed to involve the issuance of a senior security or a borrowing ; for purposes of clauses (a) and (b) above, the term total assets shall be calculated after giving effect to the net proceeds of senior securities issued by EDF reduced by any liabilities and indebtedness not constituting senior securities except for such liabilities and indebtedness as are excluded from treatment as senior securities by this item (2). EDF s obligations under interest rate swaps are not treated as senior securities.	EDF requires obligations under when-issued and delayed delivery transactions and similar transactions and reverse repurchase agreements as senior securities if covering assets to be appropriately segregated. In addition, EDF does not consider the use of derivatives to involve the issuance of a senior security or a borrowing for purposes of clauses (a) and (b). Also, EDF calculates total assets after giving effect to the net proceeds of senior securities issued by EDF reduced by any liabilities and indebtedness not constituting senior securities except for such liabilities and indebtedness as are excluded from treatment as senior securities. Finally, EDF s obligations under interest rate swaps are not treated as senior securities.

EMD (Target Fund)	EDF (Acquiring Fund)	Differences Between Funds
EMD may not purchase or sell commodities or commodity contracts, including futures contracts and options thereon, except that EMD may use derivatives.	EDF may not purchase or sell commodities or commodity contracts, including futures contracts and options thereon, except that EDF may use derivatives.	No difference.
EMD may not make loans, except that EMD may (a) purchase and hold debt instruments (including bonds, debentures or other obligations and certificates of deposit, bankers acceptances and fixed time deposits) in accordance with its investment objectives and policies, (b) invest in loans through participations and assignments, (c) enter into repurchase agreements with respect to portfolio securities, and (d) make loans of portfolio securities.	EDF may not make loans, except that EDF may (a) purchase and hold debt instruments (including bonds, debentures or other obligations and certificates of deposit, bankers acceptances and fixed time deposits) in accordance with its investment objectives and policies, (b) invest in loans through participations and assignments, (c) enter into repurchase agreements with respect to portfolio securities, and (d) make loans of portfolio securities.	No difference.
EMD may not underwrite the securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter.	EDF may not underwrite the securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter.	No difference.
EMD may not purchase real estate, real estate mortgage loans or real estate limited partnership interests (other than securities secured by real estate or interests therein or securities issued by companies that invest in real estate or interests therein).	EDF may not purchase real estate, real estate mortgage loans or real estate limited partnership interests (other than securities secured by real estate or interests therein or securities issued by companies that invest in real estate or interests therein).	No difference.
EMD may not purchase securities on margin (except for delayed delivery or when-issued transactions or such short-term credits as are necessary for the clearance of transactions).	EDF may not purchase securities on margin (except for delayed delivery or when-issued transactions, such short-term credits as are necessary for the clearance of transactions, and margin deposits in connection with transactions in futures contracts, options on futures contracts, options on securities and securities indices and currency transactions).	Effectively no difference.
EMD may not invest for the purpose of exercising control over management of any company.	EDF may not invest for the purpose of exercising control over management of any company.	No difference.
EMD may not make short sales of securities or maintain a short position except in accordance with the guidelines set out in its prospectus.	No corresponding policy.	EMD may not make short sales of securities or maintain a short position except in accordance with the guidelines set out in its prospectus.

Risk Factors

There is no assurance that EDF or EMD will meet its investment objectives. You may lose money on your investment in either Fund. The value of each Fund s shares may go up or down, sometimes rapidly and unpredictably. Market conditions, financial conditions of issuers represented in each Fund s portfolio, investment strategies, portfolio management, and other factors affect the volatility of each Fund s shares. An investment in a Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

The following section includes a summary of the principal risks of investing in EDF. Except as described below, your investment in EMD is subject to the same risks.

Investment Risk

An investment in EDF is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in EDF represents an indirect investment in the securities owned by EDF. The value of these securities may increase or decrease, at times rapidly and unexpectedly. Your investment in EDF may at any point in the future be worth less than your original investment even after taking into account the reinvestment of dividends and distributions.

Foreign (Non-U.S.) Investment Risk

Investing in foreign issuers, including emerging market issuers, may involve unique risks compared to investing in the securities of U.S. issuers. Some of these risks do not apply to issuers located in larger, more developed countries. These risks are more pronounced if EDF invests significantly in one country. Less information about non-U.S. issuers or markets may be available due to less rigorous disclosure and accounting standards or regulatory practices. Many non-U.S. markets are smaller, less liquid and more volatile than U.S. markets. In a changing market, Western Asset Management Company, the Fund s Subadviser (the Subadviser) may not be able to sell EDF s portfolio securities in amounts and at prices the Subadviser considers reasonable. Economic, political and social developments may significantly disrupt the financial markets or interfere with EDF s ability to enforce its rights against foreign government issuers. The value of securities denominated in foreign currencies may fluctuate based on changes in the value of those currencies relative to the U.S. dollar, and a decline in applicable foreign exchange rates could reduce the value of such securities held by EDF. Foreign settlement procedures also may involve additional risks. Foreign investment risk may be particularly high as EDF will invest in securities of emerging market issuers.

The ability of a foreign sovereign issuer, especially an emerging market country, to make timely and ultimate payments on its debt obligations will also be strongly influenced by the sovereign issuer s balance of payments, including export performance, its access to international credits and investments, fluctuations of interest rates and the extent of its foreign reserves. A country whose exports are concentrated in a few commodities or whose economy depends on certain strategic imports could be vulnerable to fluctuations in international prices of these commodities or imports. To the extent that a country receives payment for its exports in currencies other than dollars, its ability to make debt payments denominated in dollars could be adversely affected. If a sovereign issuer cannot generate sufficient earnings from foreign trade to service its external debt, it may need to depend on continuing loans and aid from foreign governments, commercial banks and multinational organizations.

Additional factors that may influence the ability or willingness to service debt include, but are not limited to, a country s cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole, and its government s policy towards the International Monetary Fund (the IMF), the World Bank and other international agencies to which a government debtor may be subject. A substantial portion of EDF s portfolio is comprised of securities issued by issuers located in countries considered to be emerging markets, and such foreign sovereign and foreign corporate debt investments are particularly speculative, as discussed below in Emerging Markets Risk, Economic and Political Risks and Investment Controls; Repatriation. The cost of servicing external debt wi also generally be adversely affected by rising international interest rates because many external debt obligations bear interest at rates which are adjusted based upon international interest rates.

Heightened risks of investing in emerging market sovereign debt include:

Risk of default by a governmental issuer or guarantor. In the event of a default, EDF may have limited legal recourse against the issuer and/or guarantor; and

Risk of restructuring certain debt obligations (such as Brady bonds). This may include reducing and rescheduling interest and principal payments or requiring lenders to extend additional credit, which may adversely affect the value of these investments.

There may be less publicly available information about a foreign company than about a U.S. company, and foreign companies may not be subject to accounting, auditing, and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. In addition, if a deterioration occurs in the country s balance of payments, it could impose temporary restrictions on foreign capital remittances. Investing in local markets in foreign countries may require EDF to adopt special procedures, seek local governmental approvals or take other actions, each of which may involve additional costs to EDF. Moreover, brokerage commissions and other transaction costs on foreign securities exchanges are generally higher than in the United States.

Emerging Markets Risk

Under normal market conditions, EDF will invest at least 80% of its total assets in debt securities of government and government related issuers located in emerging market countries, entities organized to restructure outstanding debt of such issuers and corporate issuers in emerging market countries. Investing in securities of government and government related issuers in emerging market countries entails all of the risks of investing in securities of foreign issuers to a heightened degree. The heightened risks include: (i) greater risks of expropriation, confiscatory taxation, nationalization, and less social, political and economic stability; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in lack of liquidity and in price volatility; and (iii) certain national policies which may restrict EDF s investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests.

Economic and Political Risks

The economies of individual emerging market countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Further, the economies of developing countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade.

With respect to any emerging market country, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, governmental regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of EDF s investments in those countries.

Investment Controls; Repatriation

Foreign investment in certain emerging market issuers is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain emerging market issuers and increase the costs and expenses of EDF. Certain emerging market countries require governmental approval prior to investments by foreign persons in a particular issuer, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain emerging market countries may also restrict investment opportunities in issuers in industries deemed important to national interests.

Emerging market countries may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if a deterioration occurs in an emerging market country s balance of payments, the country could impose temporary restrictions on foreign capital remittances. EDF could be adversely affected by delays in, or a refusal to grant, any restrictions on investments. Investing in local markets in emerging market countries may require EDF to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to EDF.

Market Illiquidity

No established secondary markets may exist for many of the emerging market issuer securities in which EDF invests. Reduced secondary market liquidity may have an adverse effect on market price and EDF s ability to dispose of particular instruments when necessary to meet its liquidity requirements or in response to specific economic events such as a deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for certain emerging market issuer securities may also make it more difficult for EDF to obtain accurate market quotations for purposes of valuing its portfolio and calculating its net asset value. Market quotations are generally available on many emerging market issuer securities only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

Currency Devaluations and Fluctuations

EDF may invest in both dollar-denominated and non-dollar-denominated investments. EDF may be limited in its ability to hedge the value of its investments against currency fluctuations. For instance, a decline in the value of currencies in which EDF s investments are denominated against the dollar will result in a corresponding decline in the dollar value of EDF s assets. These declines will in turn affect EDF s income and net asset value. EDF will compute its income on the date of its receipt by EDF at the exchange rate in effect with respect to the relevant currency on that date. If the value of the currency declines relative to the dollar between the date income is accrued and the date EDF makes a distribution, the amount available for distribution to EDF s stockholders would be reduced. If the exchange rate against the dollar of a currency in which a portfolio security of EDF is denominated declines between the time EDF accrues expenses in dollars and the time expenses are paid, the amount of the currency required to be converted into dollars in order to pay expenses in dollars will be greater than the equivalent amount in the currency of the expenses at the time they are incurred. A decline in the value of non-U.S. currencies relative to the dollar may also result in foreign currency losses that will reduce distributable net investment income. Inversely, if the dollar declines relative to other foreign currencies, investments in non-dollar denominated currencies will be benefited.

Interest Rate Risk

Interest rates may go up, causing the prices of debt securities to decline and reducing the value of EDF s securities investments. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing EDF to reinvest in lower yielding securities. This is known as call or prepayment risk. During periods of rising interest rates, the average life of certain types of securities is extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security s duration and reduce the value of the security. This is known as extension risk. The Subadviser s judgment about the attractiveness, relative value or potential appreciation of a particular security or about interest rate trends may prove to be incorrect.

Lower Rated and Unrated Securities

At any one time, substantially all of EDF s managed assets may be invested in instruments that are lower rated or unrated. Non-investment grade securities (that is, rated Ba1 or lower by Moody s or BB+ or lower by S&P) are commonly referred to as 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. Some of the emerging market issuer securities held by EDF, which may not be paying interest currently or may be in payment default, may be comparable to securities rated as low as C by Moody s or CCC or lower by S&P. These securities 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.

Lower rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. Lower rated and unrated 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 lower rated and unrated 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 low rated and unrated securities especially in a market characterized by a low volume of trading.

The market values of lower-rated and unrated securities tend to be more sensitive to company-specific developments and changes in economic conditions than higher-rated securities. The companies that issue these securities often are highly leveraged, and their ability to service their debt obligations during an economic downturn or periods of rising interest rates may be impaired. In addition, these companies may not have access to more traditional methods of financing, and may be unable to repay debt at maturity by refinancing. The risk of loss due to default in payment of interest or principal by these issuers is significantly greater than with higher rated securities because medium and lower rated securities generally are unsecured and subordinated to senior debt.

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 EDF Common Shares. In addition, default may cause EDF to incur expenses in seeking recovery of principal or interest on its portfolio holdings.

Credit Risk and Counterparty Risk

EDF could lose money if the issuer of a debt obligation, or the counterparty to a derivatives contract, repurchase agreement, loan of portfolio securities or other obligation, is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security may further decrease its value.

EDF will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, EDF may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. EDF may obtain only a limited recovery or may obtain no recovery in such circumstances.

Derivatives Risk

EDF may utilize a variety of derivative instruments for investment or risk management purposes, such as options, futures contracts, swap agreements and credit default swaps. Derivatives are subject to a number of risks described elsewhere in this Proxy Statement/Prospectus, such as liquidity risk, interest rate risk, credit risk, leverage 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 EDF invests in a derivative instrument, it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that EDF will engage in these transactions to reduce exposure to other risks when that would be beneficial. The use of derivatives also may increase the amount of taxes payable by stockholders. In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty).

Reinvestment Risk

Reinvestment risk is the risk that income from EDF s portfolio will decline if and when EDF invests the proceeds from matured, traded or called debt obligations at market interest rates that are below the portfolio s current earnings rate. A decline in income could affect the price of EDF Common Shares or EDF s overall return.

Liquidity Risk

EDF may invest without limitation in illiquid securities. The term illiquid securities for this purpose means securities that cannot be disposed of within seven days at a price which EDF would determine to be fair value. Illiquid securities may be subject to wide fluctuations in market value.

EDF may be subject to significant delays in disposing of illiquid securities. Accordingly, EDF may be forced to sell these securities at less than fair market value or may not be able to sell them when the Manager believes it is desirable to do so. Illiquid securities also may entail registration expenses and other transaction costs that are higher than those for liquid securities. Restricted securities, i.e., securities subject to legal or contractual restrictions on resale, may be illiquid. However, some restricted securities (such as securities issued pursuant to Rule 144A under the Securities Act of 1933 and certain commercial paper) may be treated as liquid for these purposes.

Duration Risk

The duration of a fixed income security is a measure of the portfolio s sensitivity to changes in interest rates. Prices of fixed income securities with longer effective maturities are more sensitive to interest rate changes than those with shorter effective maturities. Holding long duration investments may expose a fund to certain magnified risks. These include interest rate risk, credit risk and liquidity risk discussed above.

Management Risk

EDF 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 EDF, but there can be no guarantee that these will produce the desired results.

Leverage Risk

EDF is authorized to use leverage (including loans from financial institutions, the use of reverse repurchase agreements and possibly through the issuance of preferred shares or debt securities) in amounts of up to approximately 33% of its total assets immediately after such borrowing and/or issuance, and under current market conditions intends to use leverage up to such amount. Leverage may result in greater volatility of the net asset value and market price of EDF Common Shares because changes in the value of EDF s portfolio investments, including investments purchased with the proceeds from borrowings or the issuance of EDF preferred shares, are borne entirely by holders of EDF Common Shares. Common Share income may fall if the interest rate on borrowings or the dividend rate on EDF preferred shares rises, and may fluctuate as the interest rate on borrowings or the dividend rate on EDF preferred shares varies. So long as EDF is able to realize a higher net return on its investment portfolio than the then-current cost of any leverage together with other related expenses, the effect of the leverage will be to cause holders of EDF Common Shares to realize higher current net investment income than if EDF were not so leveraged. On the other hand, EDF s use of leverage will result in increased operating costs. Thus, to the extent that the then-current cost of any leverage, together with other related expenses, approaches the net return on EDF s investment portfolio, the benefit of leverage to holders of EDF Common Shares will be reduced. If the then-current cost of any leverage together with related expenses were to exceed the net return on EDF s portfolio, EDF s leveraged capital structure would result in a lower rate of return to holders of EDF Common Shares than if EDF were not so leveraged. There can be no assurance that EDF s leveraging strategy will be successful.

The current upheaval of credit markets has negatively impacted the market for auction-rate securities, such as preferred shares of the type often issued by closed-end funds as part of their leveraging strategies. Auction-rate securities have experienced a significant reduction in liquidity, lack of investor interest and failed auctions, all of which have caused the rates paid by issuers of such securities to increase. At present, neither EMD nor EDF has any preferred shares outstanding and does not currently plan to offer any preferred shares.

Any decline in the net asset value of EDF will be borne entirely by holders of EDF Common Shares. Therefore, if the market value of EDF s portfolio declines, EDF s use of leverage will result in a greater decrease in net asset value to holders of EDF Common Shares than if EDF were not leveraged. Such greater net asset value decrease will also tend to cause a greater decline in the market price for EDF Common Shares.

Certain types of borrowings may result in EDF being subject to covenants in credit agreements relating to asset coverage or portfolio composition or otherwise. In addition, EDF may be subject to certain restrictions imposed by guidelines of one or more rating agencies which may issue ratings for commercial paper or notes issued by EDF. Such restrictions may be more stringent than those imposed by the 1940 Act.

As noted above, EDF may engage in additional investment management techniques which provide leverage in much the same manner as borrowings or reverse repurchase agreements, but which are not considered to be borrowings or senior securities by the SEC, and are not subject to the foregoing 33% limitation, so long as EDF has established in a segregated account cash or other liquid securities equal to EDF s obligations in respect of such techniques.

Interest Rate Transactions Risk

EDF may enter into a swap or cap transaction to attempt to protect itself from increasing interest expenses on borrowings resulting from increasing short-term interest rates or dividend expenses on any preferred shares. A decline in interest rates may result in a decline in net amounts receivable by the Fund from the counterparty under the swap or cap (or an increase in the net amounts payable by EDF to the counterparty under the swap), which may result in a decline in the net asset value of EDF.

Risks of Futures and Options on Futures

The use by EDF 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 EDF 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. EDF would continue to be subject to market risk with respect to the position.

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

Risks of Warrants and Rights

Warrants and rights are subject to the same market risks as stocks, but may be more volatile in price. Warrants and rights do not carry the right to dividends or voting rights with respect to their underlying securities, and they do not represent any rights in the assets of the issuer. An investment in warrants or rights may be considered speculative. In addition, the value of a warrant or right does not necessarily change with the value of the underlying security and a warrant or right ceases to have value if it is not exercised prior to its expiration date. The purchase of warrants or rights involves the risk that EDF could lose the purchase value of a warrant or right if the right to subscribe to additional shares is not exercised prior to the warrants or rights expiration. Also, the purchase of warrants and rights involves the risk that the effective price paid for the warrant or right added to the subscription price of the related security may exceed the value of the subscribed security s market price such as when there is no movement in the price of the underlying security.

Financial Information and Standards

Issuers in emerging market countries generally are subject to accounting, auditing and financial standards and requirements that differ, in some cases significantly, from those applicable to U.S. issuers. In particular, the assets and profits appearing on the financial statements of an emerging market country issuer may not reflect its financial position or results of operations in the way they would be reflected had the financial statements been prepared in accordance with U.S. generally accepted accounting principles. In addition, for an issuer that keeps accounting records in local currency, inflation accounting rules may require, for both tax and accounting purposes, that certain assets and liabilities be restated on the issuer s balance sheet in order to express items in terms of currency of constant purchasing power. Inflation accounting may indirectly generate losses or profits. Consequently, financial data may be materially affected by restatements for inflation and may not accurately reflect the real condition of those issuers and securities markets. Substantially less information may be publicly available about issuers in emerging market countries than is available about U.S. issuers.

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 a risk separate and distinct from the risk that EDF s net asset value could decrease as a result of its investment activities. Whether investors will realize gains or losses upon the sale of EDF Common Shares will depend not upon EDF s net asset value but upon whether the market price of EDF Common Shares at the time of sale is above or below the investor s purchase price for EDF Common Shares. Because the market price of EDF Common Shares will be determined by factors such as relative supply of and demand for EDF Common Shares in the market, general market and economic conditions, and other factors beyond the control of EDF, EDF cannot predict whether EDF Common Shares will trade at, below or above net asset value or at, below or above the initial public offering price.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of EDF Common Shares and distributions can decline. In addition, during any periods of rising inflation, dividend rates on any EDF preferred shares would likely increase, which would tend to further reduce returns to holders of EDF Common Shares.

Market Disruption and Geopolitical Risk

The war with Iraq, its aftermath and the continuing occupation of Iraq are likely to have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the occupation cannot be predicted with any certainty. 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 the U.S. and world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect individual issuers and securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to EDF Common Shares.

High yield securities and securities of issuers with smaller market capitalizations tend to be more volatile than higher rated securities and securities of issuers with larger market capitalizations so that these events and any actions resulting from them may have a greater impact on the prices and volatility of high yield securities and securities of issuers with smaller market capitalizations than on higher rated securities and securities of issuers with larger market capitalizations.

Non-Diversified Status

Because EDF, like EMD, is classified as non-diversified under the 1940 Act, it can invest a greater portion of its assets in obligations of a single issuer than a diversified fund. As a result, EDF will be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence. Moreover, EDF intends to diversify its investments to the extent necessary to maintain its status as a regulated investment company under U.S. tax laws. See Taxation.

Anti-Takeover Provisions

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

INFORMATION ABOUT THE PROPOSED MERGER

The Agreement and Plan of Merger

The following is a summary of the material terms and conditions of the Agreement and Plan of Merger. This summary is qualified in its entirety by reference to the form of Agreement and Plan of Merger attached as Appendix A to this Proxy Statement/Prospectus. Under the Agreement and Plan of Merger, EMD will merge with and into EDF on the Closing Date. As a result of the Merger and on the Closing Date:

- EMD will no longer exist, and
- EDF will be the surviving corporation.

EMD will then:

- deregister as an investment company under the 1940 Act,
- cease its separate existence under Maryland law,
- remove its common shares from listing on the NYSE, and
- withdraw from registration under the Securities Exchange Act of 1934, as amended.

EDF will then:

- rename itself Western Asset Emerging Markets Income Fund Inc. , and
- change its NYSE ticker symbol to EMD.

Each outstanding EMD Common Share will be converted into an equivalent dollar amount (to the nearest one tenth of one cent) of full EDF Common Shares, based on the net asset value per share of each of the parties at 4:00 p.m. Eastern Standard Time on the Business Day prior to the Closing Date. No fractional EDF Common Shares will be issued to the holders of EMD Common Shares. In lieu thereof, EDF will pay cash to each former holder of EMD Common Shares in an amount equal to the value of the fractional EDF Common Shares that the investor would otherwise have received in the Merger.

No sales charge or fee of any kind will be charged to holders of EMD Common Shares in connection with their receipt of EDF Common Shares in the Merger.

From and after the Closing Date, EDF will possess all of the properties, assets, rights, privileges and powers and shall be subject to all of the restrictions, liabilities, obligations, disabilities and duties of EMD, all as provided under Maryland law.

Under Maryland law, stockholders of a corporation whose shares are traded publicly on a national securities exchange, such as the Funds Common Shares, are not entitled to demand the fair value of their shares upon a merger; therefore, the holders of the Funds Common Shares will be bound by the terms of the Merger, if approved. However, any holder of either Fund s common shares may sell his or her common shares on the NYSE at any time prior to the Merger.

The Agreement and Plan of Merger may be terminated and the Merger abandoned, whether before or after approval by EMD s stockholders, at any time prior to the Closing Date by a majority vote of each Fund s entire Board of Directors, if circumstances should develop that, in the opinion of that Board, make proceeding with the Merger inadvisable with respect to EDF or EMD, respectively.

Prior to the Merger, EMD shall have declared and paid a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its stockholders substantially all of its net investment income that has accrued through the Closing Date, if any, and substantially all of its net capital gain realized through the Closing Date, if any.

The Agreement and Plan of Merger provides that either Fund may waive compliance with any of the terms or conditions made therein for the benefit of that Fund, other than the requirements that: (a) the Agreement and Plan of Merger be approved by the stockholders of EMD; and (b) EMD and EDF receive the opinion of Simpson Thacher & Bartlett LLP that the transactions contemplated by the Agreement and Plan of Merger will constitute a tax-free reorganization for federal income tax purposes, if, in the judgment of the Fund s Board, after consultation with Fund counsel, such waiver will not have a material adverse effect on the benefits intended to be provided by the Merger to the stockholders of the Fund.

Under the Agreement and Plan of Merger, each Fund, out of its assets and property, will indemnify and hold harmless the other Fund and the members of the Board and officers of the other Fund from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which the other Fund and those board members and officers may become subject, insofar as such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on (a) any breach by the Fund of any of its representations, warranties, covenants or agreements set forth in this the Agreement and Plan of Merger or (b) any act, error, omission, neglect, misstatement, materially misleading statement, breach of duty or other act wrongfully done or attempted to be committed by the Fund or the members of the Board or officers of the Fund prior to the Closing Date, provided that such indemnification by the Fund is not (i) in violation of any applicable law or (ii) otherwise prohibited as a result of any applicable order or decree issued by any governing regulatory authority or court of competent jurisdiction. In no event will a Fund or the members of the Board or officers of a Fund be indemnified for any losses, claims, damages, liabilities or expenses arising out of or based on conduct constituting willful misfeasance, bad faith, gross negligence or the reckless disregard of duties.

The Board of each Fund, including the Independent Directors, has determined, with respect to its Fund, that the interests of the holders of that Fund s Common Shares will not be diluted as a result of the Merger and that participation in the Merger is in the best interests of that Fund. Fifty percent of the expenses incurred in connection with the Merger will be borne by EDF and EMD in proportion to their respective total assets in the event the Merger is consummated. The other 50% of the expenses incurred in connection with the Merger will be borne by Legg Mason, Inc. (Legg Mason) and its affiliates. Such expenses shall include, but not be limited to, all costs related to the preparation and distribution of this Proxy Statement/Prospectus, proxy solicitation expenses, SEC registration fees and NYSE listing fees.

Approval of the Agreement and Plan of Merger will require the affirmative vote of a majority of the outstanding EMD Common Shares. See Voting Information below. Because of the relative sizes of EDF and EMD, the Maryland General Corporation Law and NYSE rules do not require stockholders of EDF to approve the Merger.

Reasons for the Merger and Board Considerations

Background

Each Fund s primary investment objective is to seek a high level of current income. As a secondary objective, each Fund seeks capital appreciation.

The Board believes that the Merger is in the best interests of EMD and its stockholders. EMD and EDF have identical investment objectives, very similar policies, strategies and risks, and pay management fees at the same rate. In addition, as a result of the Merger, the Board believes the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity. Furthermore, the Board believes that the size of EDF allows for additional opportunities for the combined Fund to invest in a broad range of securities that fall within its investment objectives and policies. The Merger will also result in streamlined emerging market product offerings, allowing for more focused sales, marketing and stockholders servicing efforts.

Board Considerations

The proposed Merger was presented to the Board of each Fund for consideration at simultaneous meetings held on May 23, 2008, and was approved unanimously both Boards (including all of the Independent Directors) at that meeting. In considering the proposal, the Boards did not identify any single factor or piece of information as all-important or controlling. Following extensive discussions, based on its evaluation of all material factors to both Funds participating in the proposed Merger, including those described below, the Board of each Fund, including all of the Independent Directors, determined, with respect to its Fund, that: (1) the Merger would be in the best interests of that Fund; and (2) the Merger would not result in the dilution of the interests of the Fund or its stockholders.

In recommending the Merger, EMD s Board, with the advice of counsel to EMD s Independent Directors, considered a number of factors, including the following:

the benefit to EMD s stockholders that are expected to be derived from the Merger;

the fact that the Funds have identical investment objectives and very similar strategies, policies and risks;