

Western Asset Investment Grade Defined Opportunity Trust Inc.  
Form N-2/A  
May 29, 2009

As filed with the Securities and Exchange Commission on May 29, 2009

Securities Act Registration No. 333-158780  
Investment Company Registration No. 811-22294

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM N-2

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1

Post-Effective Amendment No. 0

and/or

REGISTRATION STATEMENT UNDER  
THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 1

# Western Asset Investment Grade Defined Opportunity Trust Inc.

(Exact Name of Registrant as Specified in Charter)

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

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

**R. Jay Gerken**

Legg Mason & Co., LLC

620 Eighth Avenue, 49th Floor

New York, New York 10018

(Name and Address of Agent for Service)

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Copies to:

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425 Lexington Avenue  
New York, NY 10017

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

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

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

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It is proposed that this filing will become effective (check appropriate box)

o when declared effective pursuant to section 8(c)

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**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered(1)</b>	<b>Proposed Maximum Offering Price per Unit</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(1)(2)</b>
Common Stock, \$0.001 par value	50,000 shares	\$ 20.00	\$ 1,000,000	\$ 55.80

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

(2) Previously paid.

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

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**Subject to Completion**

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

**Preliminary Prospectus dated May 29, 2009**

**PROSPECTUS**

**Shares**

**Western Asset Investment Grade Defined Opportunity Trust Inc.**

**Common Stock**

**\$20.00 per Share**

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

*Investment Objectives.* The Fund's primary investment objective is to provide current income and then to liquidate and distribute substantially all of the Fund's net assets to stockholders on or about December 2, 2024. As a secondary investment objective, the Fund will seek capital appreciation. There can be no assurance the Fund will achieve its investment objectives.

*Investment Strategies.* The Fund seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its net assets in investment grade corporate fixed income securities of varying maturities. "Corporate fixed income securities" include corporate bonds, debentures, notes and other similar types of corporate debt instruments, as well as preferred shares, senior secured floating rate and fixed rate loans or debt ("Senior Loans"), second lien or other subordinated or unsecured floating rate and fixed rate loans or debt ("Second Lien Loans"), loan participations, payment-in-kind securities, zero-coupon bonds, bank certificates of deposit, fixed time deposits and bankers' acceptances. "Investment grade" quality securities are those that, at the time of investment, are either rated by one of the nationally recognized statistical rating organizations ("NRSROs") within the four highest letter grades (including BBB- or higher by Standard & Poor's Corporation Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings, Inc. ("Fitch") or Baa3 or higher by Moody's Investors Service, Inc. ("Moody's")), or if unrated are determined by Western Asset Management Company ("Western Asset") to be of comparable quality. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from an NRSRO.

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

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

*(continued on the following page)*

The Fund's Common Stock has been approved for listing on the New York Stock Exchange, subject to notice of issuance. The trading or "ticker" symbol is "IGI."

**Investing in the Fund's Common Stock involves certain risks. You could lose some or all of your investment. See "Risks" beginning on page 34 of this Prospectus.**

	Per Share	Total(1)
Public offering price	\$ 20.00	\$
Sales load(2)	\$ .90	\$

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Proceeds, after expenses, to the Fund(3)	\$	19.06	\$
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*(notes on following page)*

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

The shares of Common Stock will be ready for delivery to purchasers on or about , 2009.

**Merrill Lynch & Co.**

**Citi**

**Wachovia Securities**

**Raymond James**

**Ameriprise Advisor Services, Inc.**

**Crowell, Weedon & Co.**

**J.J.B. Hilliard, W.L. Lyons, LLC**

**Janney Montgomery Scott**

**Ladenburg Thalmann & Co. Inc.**

**Maxim Group LLC**

**RBC Capital Markets**

**Southwest Securities**

The date of this Prospectus is , 2009.

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(notes from cover page)

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

(2) Legg Mason Partners Fund Advisor, LLC ("LMPFA") (and not the Fund) has agreed to pay from its own assets additional compensation to Merrill Lynch, Pierce, Fenner & Smith Incorporated and a structuring fee to Citigroup Global Markets Inc. and Wachovia Capital Markets, LLC. LMPFA may also pay certain qualifying underwriters a structuring fee, additional compensation and/or a sales incentive fee in connection with the offering. See "Underwriting." The total compensation received by the underwriters (including the sales load and the partial reimbursement of expenses) will not exceed 9.0% of the total public offering price of the Common Stock sold in this offering.

(3) Total offering expenses to be paid by the Fund (other than the sales load, but inclusive of the partial reimbursement of expenses) are estimated to be approximately \$ , which represents \$.04 per share. After payment of such expenses, proceeds to the Fund will be \$19.06 per share. The Fund has agreed to pay the underwriters \$ (\$.00667 per share of Common Stock) as a partial reimbursement of expenses incurred in connection with this offering. LMPFA has agreed to pay (i) all of the Fund's organizational costs, which are estimated to be \$25,000, and (ii) the Fund's offering expenses (other than the sales load, but inclusive of the partial reimbursement of expenses), which are estimated to be \$ , in excess of \$.04 per share.

(continued from cover page)

The Fund may invest in derivative instruments, such as options contracts, futures contracts, options on futures contracts, indexed securities, credit default swaps and other swap agreements; provided that the Fund's exposure to derivative instruments, as measured by the total notional amount of all such instruments, will not exceed 20% of its net assets. With respect to this limitation, the Fund may net derivatives with opposite exposure to the same underlying instrument. The Fund will not include derivative instruments for the purposes of the Fund's policy to invest at least 80% of its net assets in investment grade corporate fixed income securities.

As a fundamental policy, the Fund will not leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may borrow for temporary or emergency purposes as permitted by the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund may take on leveraging risk by, among other things, purchasing securities on a when-issued or delayed delivery basis, entering into credit default swaps or futures contracts, engaging in short sales or writing options on portfolio securities. To the extent the Fund covers its commitment under such a portfolio management technique, such instrument will not be considered a senior security for the purposes of the 1940 Act. See "Fund's Investments Additional Investment Activities Use of Leverage" and "Risks Leverage Risk."

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

**Manager and Subadviser.** Legg Mason Partners Fund Advisor, LLC ("LMPFA"), the Fund's investment manager, will be responsible for administrative and management services to the Fund. As of March 31, 2009, LMPFA's total assets under management were approximately \$169.0 billion.

Western Asset, the Fund's subadviser, will be responsible for the day-to-day portfolio management of the Fund subject to the supervision of the Fund's Board of Directors and LMPFA. As of March 31, 2009, Western Asset and its supervised affiliates had approximately \$473.4 billion in assets under management.

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

You should read this Prospectus, which contains important information about the Fund that you should know before deciding whether to invest, and retain it for future reference. A Statement of Additional Information, dated , 2009, as it may be amended (the "SAI"), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI (the table of contents of which is on page 59 of this Prospectus), annual and semi-annual reports to stockholders (when available), and additional information about the Fund by calling (888) 777-0102, by writing to the Fund or visiting the Fund's website (<http://www.leggmason.com/cef>). The information contained in, or accessed through, the Fund's website is not part of this Prospectus. You may also obtain a copy of the SAI (and other information regarding the Fund) from the SEC's Public Reference Room in Washington, D.C. Information relating to the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Such materials, as well as the Fund's annual and semi-annual reports (when available) and other information regarding the Fund are also available on the SEC's website (<http://www.sec.gov>). You may also e-mail requests for these documents to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or make a request in writing to the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

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







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

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**PROSPECTUS SUMMARY**

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

<b>The Fund</b>	Western Asset Investment Grade Defined Opportunity Trust Inc. (the "Fund") is a newly organized, non-diversified, closed-end management investment company.
<b>The Offering</b>	The Fund is offering shares of common stock at \$20.00 per share through a group of underwriters led by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Citigroup Global Markets Inc. and Wachovia Capital Markets, LLC. The shares of common stock are called "Common Stock" in the rest of this Prospectus. You must purchase at least 100 shares of Common Stock in order to participate in this offering. The Fund has given the underwriters an option to purchase up to additional shares of Common Stock solely to cover overallotments, if any. See "Underwriting."
<b>Who May Want to Invest</b>	<p>Investors should consider their investment goals, time horizons and risk tolerance before investing in the Fund. An investment in the Fund is not appropriate for all investors, and the Fund is not intended to be a complete investment program. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund may be an appropriate investment for investors who are seeking:</p> <ul style="list-style-type: none"><li>a closed-end fund with a limited term structure that will invest primarily in investment grade corporate fixed income securities;</li><li>a fund that will not leverage its capital structure by issuing preferred shares or other senior securities (except for temporary or emergency purposes);</li><li>diversification of their overall investment portfolio; and</li><li>professional selection and active management by Western Asset.</li></ul> <p>Legg Mason Partners Fund Advisor, LLC, the Fund's investment manager ("LMPFA"), and Western Asset Management Company, the Fund's subadviser ("Western Asset"), believe that current market conditions have created an opportunity to purchase a portfolio of primarily investment grade corporate fixed income securities at attractive prices. Additionally, LMPFA and Western Asset believe that the Fund's limited term, closed-end structure allows investors to take advantage of the current distressed markets by purchasing a managed portfolio of corporate fixed income securities at discounted market valuations, without the diminution of this value that could occur in an open-end structure. This is because closed-end funds have a relatively stable asset base, whereas open-end mutual funds must constantly adjust their portfolios to respond to cash inflows and outflows resulting from investors purchasing or redeeming shares. The closed-end structure may also mitigate trading discount concerns for long-term investors because the Fund intends to terminate and distribute substantially all its net assets to stockholders on or about December 2, 2024.</p>
<b>Investment Objectives</b>	The Fund's primary investment objective is to provide current income and then to liquidate and distribute substantially all of the Fund's net assets to stockholders on or about December 2, 2024.

As a secondary investment objective, the Fund will seek capital appreciation. There can be no assurance the Fund will achieve its investment objectives. The Fund's investment objectives are fundamental and may not be changed without stockholder approval. See "The Fund's Investments."

**Investment Strategies** The Fund seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its net assets in a portfolio of investment grade corporate fixed income securities of varying maturities. "Corporate fixed income securities" include corporate bonds, debentures, notes and other similar types of corporate debt instruments, as well as preferred shares, senior secured floating rate and fixed rate loans or debt ("Senior Loans"), second lien or other subordinated or unsecured floating rate and fixed rate loans or debt ("Second Lien Loans"), loan participations, payment-in-kind securities, zero-coupon bonds, bank certificates of deposit, fixed time deposits and bankers' acceptances. Certain corporate debt instruments, such as convertible securities, may also include the right to participate in equity appreciation, and Western Asset will generally evaluate those instruments based primarily on their debt characteristics.

Under normal market conditions, the Fund will invest at least 50% of its net assets in corporate bonds, debentures and notes.

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

"Investment grade" quality securities are those that, at the time of investment, are either rated by one of the nationally recognized statistical rating organizations ("NRSROs") within the four highest letter grades (including BBB- or higher by Standard & Poor's Corporation Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings, Inc. ("Fitch") or Baa3 or higher by Moody's Investors Service, Inc. ("Moody's")), or if unrated are determined by Western Asset to be of comparable quality. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from an NRSRO (such securities are commonly referred to as split-rated securities). Securities rated BBB by S&P and Fitch are the lowest category of investment grade securities and are regarded as having an adequate capacity to pay interest and repay principal, although adverse economic conditions or changing circumstances are more likely to impair the issuer's capacity to pay interest and repay principal for debt in this category than in higher rated categories. Securities rated Baa by Moody's are regarded as having an adequate capacity to pay interest and repay principal for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such securities lack

outstanding investment characteristics and, in fact, have speculative characteristics as well. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks or the liquidity of the securities.

While the Common Stock issued by the Fund will not be rated by an NRSRO, it is expected that, under normal market conditions, the Fund will maintain on an ongoing basis a dollar-weighted average credit quality of portfolio holdings of at least BBB- or higher by S&P or Fitch or Baa3 or higher by Moody's, or comparable quality as determined by Western Asset.

Although the Fund invests primarily in securities of U.S. issuers, the Fund may invest up to 20% of its net assets in securities of foreign issuers located anywhere in the world, including issuers located in emerging market countries. A foreign issuer is a company organized under the laws of a foreign country that is principally traded in the financial markets of a foreign country. The Fund has no present intention to invest a significant portion of its net assets in a specific geographical region.

Additionally, the Fund may invest up to 20% of its net assets in non-U.S. dollar denominated securities.

The Fund may invest in derivative instruments, such as options contracts, futures contracts, options on futures contracts, indexed securities, credit default swaps and other swap agreements; provided that the Fund's exposure to derivative instruments, as measured by the total notional amount of all such instruments, will not exceed 20% of its net assets. With respect to this limitation, the Fund may net derivatives with opposite exposure to the same underlying instrument. The Fund will not include derivative instruments for the purposes of the Fund's policy to invest at least 80% of its net assets in investment grade corporate fixed income securities. See "Risks Derivatives Risk" and "Fund's Investments Additional Investment Activities Use of Leverage."

The Fund may invest up to 20% of its net assets in illiquid securities, which are securities that cannot be sold within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities. See "Risks Liquidity Risk."

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

In purchasing securities and other investments for the Fund, Western Asset may take full advantage of the entire range of maturities and durations offered by corporate fixed income securities and may adjust the average maturity or duration of the

Fund's portfolio from time to time, depending on its assessment of the relative yields available on securities of different maturities and durations and its expectations of future changes in interest rates. As the termination date of the Fund approaches, Western Asset may manage the Fund's assets in a manner that causes the dollar weighted average maturity of its assets to shorten and/or increase the percentage of cash or cash equivalents in the Fund's portfolio.

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

The Fund may depart from its principal investment strategy in response to adverse economic, market or political conditions. During such periods, the Fund may invest all or a portion of its assets in obligations of the U.S. Government, its agencies or instrumentalities; other investment grade debt securities; investment grade commercial paper; certificates of deposit and bankers' acceptances; repurchase agreements with respect to any of the foregoing investments or any other fixed income securities that Western Asset considers consistent with this strategy. It is impossible to predict when, or for how long, the Fund will use these alternative strategies. There can be no assurance that such strategies will be successful. See "The Fund's Investments," "Risks Derivatives Risk" and "Risks Temporary Defensive Strategies Risk" in this Prospectus and "Investment Policies and Techniques" in the Statement of Additional Information (the "SAI").

**Leverage**

As a fundamental policy, the Fund will not leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may borrow for temporary or emergency purposes as permitted by the Investment Company Act of 1940 Act, as amended (the "1940 Act").

The Fund may take on leveraging risk by, among other things, purchasing securities on a when-issued or delayed delivery basis, entering into credit default swaps or futures contracts, engaging in short sales or writing options on portfolio securities. When the Fund engages in transactions that have a leveraging effect on the Fund's portfolio, the value of the Fund will be more volatile and all other risks will tend to be compounded. This is because leverage generally magnifies the effect of any increase or decrease in the value of the Fund's underlying asset or creates investment risk with respect to a larger pool of assets than the Fund would otherwise have. Engaging in such transactions may cause the Fund to liquidate positions when it may not be advantageous to do so to satisfy its obligations or meet segregation requirements. See "Fund's Investments Additional Investment Activities Use of Leverage" and "Risks Leverage Risk."

Certain portfolio management techniques, such as purchasing securities on a when-issued or delayed delivery basis, entering into credit default swaps or futures contracts, engaging in short sales or writing options on portfolio securities, may be considered senior securities unless appropriate steps are taken to segregate the Fund's assets or otherwise cover its obligations. If the Fund utilizes these portfolio management techniques, it will segregate liquid assets, enter into offsetting transactions or own positions covering its

obligations. To the extent the Fund covers its commitment under such a portfolio management technique, such instrument will not be considered a senior security for the purposes of the 1940 Act. The Fund may cover such transactions using other methods currently or in the future permitted under the 1940 Act, the rules and regulations thereunder or orders issued by the Securities and Exchange Commission ("SEC") thereunder. For these purposes, interpretations and guidance provided by the SEC staff may be taken into account when deemed appropriate by the Fund. These segregation and coverage requirements could result in the Fund maintaining securities positions that it would otherwise liquidate, segregating assets at a time when it might be disadvantageous to do so or otherwise restricting portfolio management. Such segregation and cover requirements will not limit or offset losses on related positions.

**Derivatives**

The Fund may use a variety of derivative instruments as part of its investment strategies or for hedging or risk management purposes. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to individual debt instruments, interest rates, currencies or currency exchange rates and related indexes. Examples of derivative instruments that the Fund may use include options contracts, futures contracts, options on futures contracts, indexed securities, credit linked notes, credit default swaps and other swap agreements. The Fund may sell certain fixed income securities short including, but not limited to, U.S. Treasuries, for investment and/or hedging purposes. See "The Fund's Investments" and "Risks Derivatives Risk."

**Limited Term**

Absent stockholder approval to shorten or extend the life of the Fund, the Fund's Articles of Incorporation ("Articles") provide that it will cease to exist at the close of business on December 2, 2024, except for the purpose of satisfying any existing debts or obligations, collecting and distributing its assets and doing all other acts required to liquidate and wind up its business and affairs. If the Fund has not liquidated and wound up its business and affairs by the close of business on December 2, 2024, the Directors shall become trustees of the Fund's assets for purposes of liquidation.

Upon its termination, the Fund will distribute substantially all of its net assets to stockholders, after making appropriate provision for any liabilities of the Fund. The Fund does not seek to return \$20 per share upon termination. The final distribution of net assets upon termination may be more than, equal to or less than \$20 per share. The Fund expects to complete its final distribution on or about December 2, 2024, but the liquidation process could be extended depending on market conditions at that time.

Prior to such termination, the Board of Directors will consider whether it is in the best interests of stockholders to terminate and liquidate the Fund. If the Board of Directors determines that under the circumstances, termination and liquidation of the Fund on or about December 2, 2024 would not be in the best interests of stockholders, the Board of Directors will present an appropriate amendment to the Articles at a regular or special meeting of stockholders. The Articles require either (i) the affirmative vote of at least 75% of the Board of Directors and at least 75% of the votes



entitled to be cast by stockholders or (ii) the affirmative vote of 75% of the continuing directors (as defined in the Articles) and the approval of the holders of a majority of the votes entitled to be cast thereon by stockholders. Unless the termination date is amended by stockholders in accordance with the Articles, the Fund will be terminated on or about December 2, 2024 (regardless of any change in state law affecting the ability of the Board of Directors to amend the Articles). See "Certain Provisions in the Articles of Incorporation and the Bylaws."

**Distributions**

The Fund intends to distribute its net investment income on a monthly basis and to distribute annually any realized capital gains. Your initial distribution is expected to be declared approximately 45 days, and paid approximately 60 days, from the completion of this offering, depending upon market conditions.

Unless you elect to receive distributions in cash (i.e., opt out), all of your distributions, including any capital gains distributions on your Common Stock, will be automatically reinvested in additional shares of Common Stock under the Fund's Dividend Reinvestment Plan. See "Distributions" and "Dividend Reinvestment Plan."

An affiliate of LMPFA has received an exemptive order from the SEC under the 1940 Act facilitating the implementation of a managed distribution policy for certain funds for which it, or one of its affiliates, provides investment management services, including the Fund. The Fund does not intend to implement a managed distribution policy at this time; however, the Board may, at the request of LMPFA and Western Asset, adopt a managed distribution policy in the future. See "Distributions Managed Distribution Policy."

**Manager**

LMPFA will be the Fund's investment manager. LMPFA, a wholly-owned subsidiary of Legg Mason Inc. ("Legg Mason"), is a registered investment adviser and will be responsible for administrative and management services to the Fund. As of March 31, 2009, LMPFA's total assets under management were approximately \$169.0 billion. Legg Mason is a global asset management firm. As of March 31, 2009, Legg Mason's asset management operation had aggregate assets under management of approximately \$632.4 billion.

LMPFA will receive an annual fee, payable monthly, in an amount equal to .65% of the Fund's average daily net assets.

The Fund will pay all of its offering expenses up to and including \$.04 per share of Common Stock. The Fund's management fees and other expenses are borne by the stockholders. LMPFA has agreed to pay (i) all of the Fund's organizational expenses, which are estimated to be \$25,000, and (ii) the Fund's offering expenses (other than sales load, but inclusive of the partial expense reimbursement) in excess of \$.04 per share. See "Summary of Fund Expenses" and "Management of the Fund."

**Subadviser**

Western Asset will be the Fund's subadviser. Western Asset, a wholly-owned subsidiary of Legg Mason, is a registered investment adviser and will be responsible for the day-to-day portfolio management of the Fund subject to the supervision of the Fund's Board and LMPFA. As of March 31, 2009, Western Asset, and its

supervised affiliates, had approximately \$473.4 billion in assets under management.

Western Asset will receive a subadvisory fee from LMPFA, payable monthly, in an amount equal to 70% of the fee paid to LMPFA by the Fund. No advisory fee will be paid by the Fund directly to Western Asset. See "Management of the Fund."

**Listing and Symbol**

The Fund's Common Stock has been approved for listing on the New York Stock Exchange (the "NYSE"), subject to notice of issuance. The trading or "ticker" symbol is "IGI."

**Custodian and Transfer Agent**

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

**Selected Risk Considerations**

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

*Investment and Market Risk.* An investment in the Fund is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in Common Stock represents an indirect investment in the corporate fixed income securities and other assets owned by the Fund, most of which could be purchased directly. Your Common Stock at any point in time may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and distributions. The value of the Fund's portfolio securities may move up or down, sometimes rapidly and unpredictably. The Fund intends to take advantage of current market dislocations by buying debt and other securities at depressed prices, but if such dislocations do not persist during the period when the Fund is investing the net proceeds of this offering, the Fund's returns may be adversely affected. In addition, if the current national economic downturn continues into a prolonged recession or deteriorates further, the ability of corporations to service their obligations could be materially and adversely affected. See "Risks Investment and Market Risk."

*Interest Rate Risk.* The market value of the Fund's investments will change in response to changes in interest rates and other factors. During periods of declining interest rates, the values of fixed income securities generally rise. Conversely, during periods of rising interest rates, the values of such securities generally decline. Fluctuations in the value of the Fund's securities will not affect interest income derived from securities already owned by the Fund, but will be reflected in the Fund's net asset value. The magnitude of these fluctuations is generally greater for securities with longer maturities. The Fund may utilize certain strategies, including investments in structured notes or interest rate swap or cap transactions, for the purpose of reducing the interest rate sensitivity of the portfolio and decreasing the Fund's exposure to interest rate risk, although there is no assurance that it will do so or that such strategies will be successful. See "Risks Interest Rate Risk."

*Credit Risk.* Credit risk is the risk that one or more corporate fixed income securities in the Fund's portfolio will decline in price or fail to pay interest or principal when due because the issuer of the

security experiences a decline in its financial status. If the recent adverse conditions in the credit markets continue to adversely affect the broader economy, the credit quality of issuers of corporate fixed income securities in which the Fund may invest would be more likely to decline, all other things being equal. Changes by an NRSRO in its rating of securities and in the ability of an issuer to make scheduled payments may also affect the value of the Fund's investments. If a corporate fixed income security is considered investment grade at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security and such security will continue to be considered investment grade for purposes of the Fund's policy to invest at least 80% of its net assets in investment grade corporate fixed income securities. If a downgrade occurs, Western Asset will consider what action, including the sale of the security, is in the best interests of the Fund and its stockholders. To the extent the Fund invests in below investment grade securities, it will be exposed to a greater amount of credit risk than a fund which invests solely in investment grade securities. The prices of lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Corporate fixed income securities of below investment grade quality are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default. See "Risks Credit Risk."

*Issuer Risk.* The value of corporate fixed income securities may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services. See "Risks Issuer Risk."

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

Corporate fixed income securities rated below investment grade generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their

issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of below investment grade securities, especially in a market characterized by a low volume of trading.

Default, or the market's perception that an issuer is likely to default, could reduce the value and liquidity of securities held by the Fund, thereby reducing the value of your investment in the Fund's Common Stock. In addition, default may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled entity is the fact that it frequently may be difficult to obtain information as to the true financial condition of such issuer. LMPFA's and Western Asset's judgment about the credit quality of an issuer and the relative value of its securities may prove to be wrong. Investments in below investment grade securities may present special tax issues for the Fund to the extent that the issuers of these securities default on their obligations pertaining thereto, and the federal income tax consequences to the Fund as a holder of such distressed securities may not be clear. See "Risks Below Investment Grade (High Yield) Securities Risk."

*Senior Loan Risk.* Senior Loans are usually rated below investment grade. As a result, the risks associated with Senior Loans are similar to the risks of below investment grade securities. While Senior Loans are typically senior and secured in contrast to other below investment grade securities, which are often subordinated and unsecured, nevertheless, if a borrower of a Senior Loan defaults or goes into bankruptcy, the Fund may recover only a fraction of what is owed on the Senior Loan or nothing at all. Senior Loans are subject to a number of risks described elsewhere in this Prospectus, including credit risk, liquidity risk and management risk. See "Risks Below Investment Grade (High Yield) Securities Risk," "Credit Risk," "Liquidity Risk" and "Management Risk."

There is less readily available and reliable information about most Senior Loans than is the case for many other types of securities. If there is no independent evaluation of a Senior Loan by an NRSRO, Western Asset will rely on its own evaluation of credit quality to determine the Senior Loan's equivalent credit rating. As a result, the Fund is particularly dependent on the analytical abilities of Western Asset when investing in Senior Loans.

Although Senior Loans in which the Fund will invest generally will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. Moreover, any specific collateral used to secure a Senior Loan may decline in value or become illiquid, which would adversely affect

the Senior Loan's value. In the event of the bankruptcy of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Senior Loan. If the terms of a Senior Loan do not require the borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower's obligations under the Senior Loans. To the extent that a Senior Loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose all of its value in the event of the bankruptcy of the borrower. Uncollateralized or under-collateralized Senior Loans involve a greater risk of loss. Some Senior Loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the Senior Loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, including the Fund. Such court action could under certain circumstances include invalidation of Senior Loans.

If legislation or state or federal regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of Senior Loans for investment by the Fund may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of financing for certain Borrowers. This would increase the risk of default. If legislation or federal or state regulations require financial institutions to dispose of Senior Loans that are considered highly levered transactions or subject Senior Loans to increased regulatory scrutiny, financial institutions may determine to sell such Senior Loans. Such sales could result in prices that, in the opinion of Western Asset, do not represent fair value. If the Fund attempts to sell a Senior Loan at a time when a financial institution is engaging in such a sale, the price the Fund could get for the Senior Loan may be adversely affected.

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

*Second Lien Loans Risk.* Second Lien Loans generally are subject to similar risks as those associated with investments in Senior Loans. Because Second Lien Loans are subordinated or unsecured and thus lower in priority of payment to Senior Loans, they are subject to the additional risk that the cash flow of the borrower and

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

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