

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**

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:**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered<sup>(1)</sup></b>	<b>Proposed Maximum Offering Price per Unit<sup>(1)</sup></b>	<b>Proposed Maximum Aggregate Offering Price<sup>(1)</sup></b>	<b>Amount of Registration Fee</b>
Common Stock (\$.001 par value)	4,500,000	\$ 13.95	\$ 62,775,000	\$ 2,467.06 <sup>(2)</sup>

<sup>(1)</sup> Estimated solely for the purpose of calculating the registration fee.

<sup>(2)</sup> 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.**

-3-

**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:

	<b>Registration</b>	<b>Valid Signature</b>
<b>Corporate Accounts</b>		
(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	
<b>Trust Accounts</b>		
(1) ABC Trust	Jane B. Doe, Trustee	
(2) Jane B. Doe, Trustee,		
u/t/d 12/28/78	Jane B. Doe	
<b>Custodial or Estate Accounts</b>		
(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	

**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](http://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](http://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](mailto: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

	Page
<u>PROPOSAL 1 TO APPROVE THE MERGER OF EMD WITH AND INTO EDF IN ACCORDANCE WITH THE MARYLAND GENERAL CORPORATION LAW</u>	1
<u>Summary</u>	1
<u>Background</u>	1
<u>Comparison of Investment Objectives, Principal Investment Strategies and Principal Risks</u>	2
<u>Effect on Expenses</u>	2
<u>Fee Table and Expense Example</u>	2
<u>Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds</u>	4
<u>Investment Objectives</u>	4
<u>Principal Investment Policies</u>	4
<u>Fundamental Investment Restrictions</u>	10
<u>Risk Factors</u>	12
<u>Information About the Proposed Merger</u>	20
<u>The Agreement and Plan of Merger</u>	20
<u>Reasons for the Merger and Board Considerations</u>	21
<u>Federal Income Tax Consequences</u>	22
<u>Portfolio Securities</u>	24
<u>Information About Management of the Funds</u>	25
<u>Information About Directors and Officers</u>	25
<u>Director Compensation</u>	27
<u>Responsibilities of the Board of Directors</u>	27
<u>Investment Manager and Sub-Adviser</u>	30
<u>Codes of Ethics</u>	31
<u>Proxy Voting Policies</u>	31
<u>Portfolio Managers of the Funds</u>	32
<u>Additional Information About the Funds</u>	36
<u>Financial Highlights</u>	36
<u>Management's Discussion of Fund Performance</u>	39
<u>Net Asset Value, Market Price and Premium/Discount</u>	40
<u>Capitalization</u>	41
<u>Portfolio Composition</u>	41
<u>Portfolio Transactions</u>	42
<u>Dividends and Distributions</u>	43
<u>Distributions</u>	43
<u>Dividend Reinvestment and Cash Purchase Plan</u>	43
<u>Taxation</u>	46
<u>The Funds</u>	46
<u>Stockholders</u>	48
<u>Net Asset Value</u>	50
<u>Description of the Funds - Capital Stock</u>	51
<u>Board Recommendation and Required Vote</u>	52
<u>FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	53
<u>STOCKHOLDER PROPOSALS AND OTHER STOCKHOLDER COMMUNICATIONS</u>	54
<u>5% BENEFICIAL OWNERSHIP</u>	55
<u>OTHER BUSINESS</u>	55
<u>VOTING INFORMATION</u>	55
<u>Adjournments and Postponements</u>	56
<u>Appraisal Rights</u>	56
<u>EXPENSES OF PROXY SOLICITATION</u>	56
<u>SERVICE PROVIDERS</u>	57
<u>INDEX OF APPENDICES</u>	58
<u>Appendix A: Form of Agreement and Plan of Merger</u>	A-1
<u>Appendix B: Description of Moody's and S&amp;P Ratings</u>	B-1
<u>Appendix C: Legg Mason Partners Fund Advisor, LLC - Proxy Voting Policy</u>	C-1
<u>STATEMENT OF ADDITIONAL INFORMATION</u>	S-1



**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 of 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		Pro Forma Combined Fund
	EMD (Target Fund)	EDF (Acquiring 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**

<b>EMD (Target Fund)</b>	<b>EDF (Acquiring Fund)</b>	<b>Differences Between Funds</b>
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**

<b>EMD (Target Fund)</b>	<b>EDF (Acquiring Fund)</b>	<b>Differences Between Funds</b>
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.	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.

*Note:* The entities organized to restructure outstanding debt of such issuers do not refer to passive pools of investments.

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.



**EMD (Target Fund)**

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.

**EDF (Acquiring Fund)**

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.

**Differences Between Funds**

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