

WESTERN ASSET MANAGED MUNICIPALS FUND INC.  
Form DEF 14A  
August 28, 2015

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**Western Asset Managed Municipals Fund Inc.**

**(Name of Registrant as Specified in Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

(1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



WESTERN ASSET MANAGED MUNICIPALS FUND INC.

(NYSE: MMU)

**620 Eighth Avenue, 49th Floor, New York, New York 10018**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

August 28, 2015

*To the Stockholders:*

The Annual Meeting of Stockholders of Western Asset Managed Municipals Fund Inc. (the Fund ) will be held at 620 Eighth Avenue (at 41st Street), 49th Floor, New York, New York, on Friday, September 25, 2015 at 11:00 a.m., New York time, for the following purposes:

1. A proposal to elect three Class I Directors and one Class III Director to the Fund's Board of Directors;  
and

2. The transaction of such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on July 24, 2015 as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting and any adjournments or postponements thereof.

By Order of the Board of Directors

Robert I. Frenkel

Secretary

August 28, 2015

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING IN PERSON OR BY PROXY; IF YOU DO NOT EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE PROXY CARD (which will be made available to you separately) OR PROVIDE VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET.**

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

**Instructions for Telephone/Internet Voting**

Various brokerage firms may offer the convenience of providing you with voting instructions via telephone or the Internet for shares held through such firms. Instructions for Internet and telephonic voting are included with the proxy card or voting instruction form.

WESTERN ASSET MANAGED MUNICIPALS FUND INC.

(NYSE: MMU)

**620 Eighth Avenue, 49th Floor, New York, New York 10018**

### **PROXY STATEMENT**

This proxy statement is furnished in connection with the solicitation by the Board of Directors (the **Board**) of Western Asset Managed Municipals Fund Inc. (the **Fund**) of proxies to be voted at the Annual Meeting of Stockholders of the Fund to be held at 620 Eighth Avenue (at 41st Street), 49th Floor, New York, New York, on Friday, September 25, 2015 at 11:00 a.m., New York time, and at any adjournments or postponements thereof (the **Meeting**), for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders (the **Notice**).

This Proxy Statement and the accompanying materials are being made available to stockholders on or about August 28, 2015.

The Fund is organized as a Maryland corporation and is a registered investment company.

Legg Mason Partners Fund Advisor, LLC ( **LMPFA** ), whose principal business address is 620 Eighth Avenue, New York, NY 10018, is the Fund's investment adviser and administrator. Pursuant to a sub-advisory agreement with Western Asset Management Company ( **Western Asset** ), Western Asset serves as the Fund's sub-investment advisor. Western Asset has offices at 385 East Colorado Boulevard, Pasadena, California 91101 and 620 Eighth Avenue, New York, New York 10018. LMPFA and Western Asset are all wholly-owned subsidiaries of Legg Mason, Inc. ( **Legg Mason** ).

Even if you plan to attend the Meeting, please sign, date and return a proxy card, or provide voting instructions by telephone or over the Internet. If you vote by telephone or over the Internet, you will be asked to enter a unique code that has been assigned to you and which is printed on your proxy card. This code is designed to confirm your identity, provide access into the voting sites and confirm that your instructions are properly recorded. If you require additional information, please call toll free at 1-888-227-9349.

All properly executed proxies received prior to the Meeting will be voted at the Meeting in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, shares represented by the proxies will be voted **FOR** the election of each nominee in Proposal 1. Stockholders who execute proxies may revoke them at any time before they are voted by filing with the Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date or by attending the Meeting and voting in person. In accordance with the Fund's By-Laws, a quorum is constituted by the presence in person or by proxy of the holders of record of a majority of the outstanding shares of the Fund's common stock entitled to vote at the Meeting. For purposes of determining the presence of a quorum for transacting business at the Meeting, abstentions will be treated as shares that are present but which have not been voted.

The Board has fixed the close of business on July 24, 2015 as the record date (the **Record Date**) for the determination of stockholders of the Fund entitled to notice of and to vote at the Meeting or any adjournment or



postponement thereof. As of the Record Date, the Fund has two classes of shares: Common Stock, par value \$.001 per share, and preferred shares, consisting of municipal auction rate cumulative preferred stock ( ARPS ) and variable rate demand preferred stock ( VRDPS and together, the Preferred Shares ), which have a liquidation preference in the amount of \$25,000 per share (collectively with the Common Stock, the Shares ). Shareholders of the Fund as of the Record Date will be entitled to one vote on each matter for each Share held and a fractional vote with respect to fractional Shares, with no cumulative voting rights. As of the Record Date, the Fund had outstanding 42,841,473.745 shares of Common Stock, 1,297 shares of ARPS outstanding and 8,703 shares of VRDPS outstanding.

**Annual reports are sent to stockholders of record of the Fund following the Fund's fiscal year end. The Fund will furnish, without charge, a copy of its annual report and most recent semi-annual report succeeding the annual report, if any, to a stockholder upon request. Such requests should be directed to the Fund at 620 Eighth Avenue, 49th Floor, New York, New York 10018 or by calling toll free at 888-777-0102. Copies of annual and semi-annual reports of the Fund are also available on the Fund's website at [lmcef.com](http://lmcef.com) or on the EDGAR Database on the Securities and Exchange Commission's Internet site at [www.sec.gov](http://www.sec.gov).**

Please note that only one annual or semi-annual report or Proxy Statement may be delivered to two or more stockholders of the Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual or semi-annual report or the Proxy Statement, or for instructions as to how to request a separate copy of these documents or as to how to request a single copy if multiple copies of these documents are received, stockholders should contact the Fund at the address and phone number set forth above.

#### **Vote Required and Manner of Voting Proxies**

A quorum of stockholders is required to take action at the Meeting. A majority of the shares of the Fund entitled to vote at the Meeting, represented in person or by proxy, will constitute a quorum of stockholders at the Meeting.

Votes cast by proxy or in person at the Meeting will be tabulated by the inspector of election appointed for the Meeting. The inspector of election, who is an employee of the proxy solicitor engaged by the Fund, will determine whether or not a quorum is present at the Meeting. The inspector of election will treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which proxies have been returned but (a) instructions have not been received from the beneficial owners or persons entitled to vote and (b) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

If you hold shares directly (not through a broker-dealer, bank or other financial intermediary) and if you return a signed proxy card that does not specify how you wish to vote on a proposal, your shares will be voted FOR Proposal 1.

Broker-dealer firms holding shares of the Fund in street name for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares on each Proposal before the Meeting. A signed proxy card or other authorization by a beneficial owner of Fund shares that does not specify how the beneficial owner's shares should be voted on a proposal will be deemed an instruction to vote such shares in favor of Proposal 1.

If you hold shares of the Fund through a service agent that has entered into a service agreement with the Fund, the service agent may be the record holder of your shares. At the Meeting, a service agent will vote shares



for which it receives instructions from its customers in accordance with those instructions. A signed proxy card or other authorization by a stockholder that does not specify how the stockholder's shares should be voted on a proposal may be deemed to authorize a service agent to vote such shares in favor of Proposal 1. Depending on its policies, applicable law or contractual or other restrictions, a service agent may be permitted to vote shares with respect to which it has not received specific voting instructions from its customers. In those cases, the service agent may, but may not be required to, vote such shares in the same proportion as those shares for which the service agent has received voting instructions. This practice is commonly referred to as "echo voting."

If you beneficially own shares that are held in "street name" through a broker-dealer or that are held of record by a service agent and if you do not give specific voting instructions for your shares, they may not be voted at all or, as described above, they may be voted in a manner that you may not intend. Therefore, you are strongly encouraged to give your broker-dealer or service agent specific instructions as to how you want your shares to be voted.

### **Required Vote**

Three Directors are elected by a plurality of the votes cast by the holders of shares of the Fund's Common Stock and Preferred Shares voting together as a single class present in person or represented by proxy at a Meeting at which a quorum is present.

One Director is elected by plurality of the votes cast only by the holders of shares of the Fund's Preferred Shares.

For purposes of the election of Directors, abstentions and broker non-votes will not be considered votes cast, and do not affect the plurality vote required for the election of Directors.

In the event that a quorum is not present, or if sufficient votes to elect Directors in Proposal No. 1 as set forth in the Notice and this Proxy Statement are not received by the time scheduled for the Meeting, the persons named as proxies may move for one or more adjournments of the Meeting to permit further solicitation of proxies with respect to such proposal. In determining whether to adjourn the Meeting, the following factors may be considered: the nature of the proposal that is the subject of the Meeting, the percentage of votes actually cast, the nature of any further solicitation and the information to be provided to stockholders with respect to the reasons for the solicitation. Any such adjournment will require the affirmative vote of a majority of the shares present at the Meeting. If an adjournment is proposed, the persons named as proxies will vote the shares that they are entitled to vote in their discretion.

### **Important Notice Regarding the Availability of Proxy Materials for the Meeting to be Held on September 25, 2015**

**The proxy statement and related materials are available at [www.proxyonline.com/docs/leggmason](http://www.proxyonline.com/docs/leggmason).**

### **Proposal No. 1: Election of Directors**

In accordance with the Fund's charter, the Fund's Board of Directors is divided into three classes: Class I, Class II and Class III. Under the terms of the Fund's charter, the holders of Preferred Shares are entitled as a class, to the exclusion of the holders of Common Stock, to elect two Directors of the Fund (the "Preferred Share Directors"); The charter also provides that the remaining Directors shall be elected by holders of Common Stock and Preferred Shares voting together as a single class. Effective July 31, 2015, Kenneth D. Fuller resigned from his responsibilities as a Class I Director, Chairman, President and Chief Executive Officer of the Fund. Jane E. Trust has been selected as a successor

to Mr. Fuller and nominated by the Board of Directors for

election at the meeting as a Class I Director for a term of three years (until the 2018 Annual Meeting of Stockholders) or until her successor has been duly elected and qualified or until she resigns or is otherwise removed. At the Meeting, the holders of the Fund's Common Stock and Preferred Shares voting together as a single class will be asked to elect two Class I Directors, Carol L. Colman and Jane E. Trust and one Class III Director Robert D. Agdern; and the holders of the Fund's Preferred Shares, to the exclusion of the holders of the Fund's Common Stock, will be asked to elect one Class I Director, Paolo M. Cucchi. The terms of office of the Class I Directors expire at the Annual Meetings of Stockholders in the year 2018, or thereafter in each case when their respective successors are duly elected and qualified. The terms of the remaining Class II and Class III Directors expire at the year 2016 and 2017 Annual Meeting of Shareholders, respectively, or thereafter until their successors have been duly elected and qualified or until they resign or otherwise removed. The effect of these staggered terms is to limit the ability of other entities or persons to acquire control of the Fund by delaying the replacement of a majority of the Board of Directors.

Under the terms of the Fund's charter, the preferred stockholders are entitled as a class, to the exclusion of the common stockholders, to elect two Directors of the Fund (the Preferred Share Directors). Paolo M. Cucchi and Leslie H. Gelb have been designated as the Preferred Share Directors. Mr. Cucchi is nominated for election at this Meeting. The charter further provides that the remaining nominees shall be elected by holders of common stock and preferred stock, voting together as a single class.

The persons named in the proxy intend to vote at the Meeting (unless directed not to vote) FOR the election of the nominees named below. Each of the nominees is currently a member of the Fund's Board of Directors and has indicated that he or she will serve if elected. However, if any nominee should be unable to serve, the proxy will be voted for any other person determined by the persons named in the proxy in their discretion.

Certain information concerning the nominees is set forth on the following page.

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**Persons Nominated for Election as Directors**

| <b>Name, Address and Birth Year</b>  | <b>Position(s) Held with Fund</b>                      | <b>Term of Office and Length Served</b> | <b>Principal Occupations During Past Five Years</b>   | <b>Number of Portfolios in Fund Complex** Overseen by Director</b> | <b>Other Directorships Held by Director</b> |
|--|--|---|---|--|---|
| <b>Nominees to serve as Class I Directors until 2018 Annual Meeting of Stockholders</b>  |  |   |   |  |   |
| <b>NON-INTERESTED DIRECTOR NOMINEES</b>  |  |   |   |  |   |
| Carol L. Colman<br>c/o Chairman of the Fund<br>Legg Mason & Co. LLC<br>( Legg Mason & Co. )<br>620 Eighth Avenue, 49th Floor<br>New York, NY 10018<br>Birth year: 1946 | Director and Member of Audit and Nominating Committees | Since 2006                              | President, Colman Consulting Co.  | 31   | None  |
| Paolo M. Cucchi<br>c/o Chairman of the Fund<br>Legg Mason & Co.<br>620 Eighth Avenue, 49th Floor<br>New York, NY 10018<br>Birth year: 1941                             | Director and Member of Audit and Nominating Committees | Since 2001                              | Emeritus Professor of French and Italian at Drew University (since 2014); formerly, Professor of French and Italian at Drew University (2009 to 2014); Vice President and Dean of College of Liberal Arts at Drew University (1984 to 2009) | 31   | None  |
| <b>INTERESTED DIRECTOR NOMINEE</b>   |  |   |   |  |   |
| Jane E. Trust, CFA<br>c/o Chairman of the Fund<br>Legg Mason & Co.<br>620 Eighth Avenue, 49th Floor  | Chairman, President and Chief Executive Officer        | Effective August 1, 2015                | Managing Director of Legg Mason & Co. (since 2015); Officer and/or Trustee/Director of 156 funds associated with LMPFA or its affiliates (since 2015); President and Chief Executive Officer of   | 147  | None  |

New York, NY 10018

Born 1962

LMPFA (since 2015);  
formerly, Senior Vice  
President of LMPFA  
(2015). Formerly,  
Director of ClearBridge,  
LLC (formerly, Legg  
Mason Capital  
Management, LLC)  
(2007 to 2014);  
Managing Director of  
Legg Mason Investment  
Counsel & Trust Co.  
(2000 to 2007).

\* Ms. Trust is an interested person as defined in the Investment Company Act of 1940, as amended (the 1940 Act ), because he is an officer of LMPFA and certain of its affiliates.

\*\* The term Fund Complex means two or more registered investment companies that:

- (a) Hold themselves out to investors as related companies for purposes of investment and investor services; or
- (b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

| Name, Address and Birth Year   | Position(s) Held with Fund                             | Term of Office and Length Time Served | Principal Occupations During Past Five Years  | Number of Portfolios in Fund Overseen by Director Complex** | Other Directorships Held by Director |
|--|--|---------------------------------------|---|---|--------------------------------------|
| <b>Nominee to serve as Class III Director until 2017 Annual Meeting of Stockholders</b>  |  |                                       |   |   |                                      |
| <b>NON-INTERESTED DIRECTOR NOMINEE</b>   |  |                                       |   |   |                                      |
| Robert D. Agdern<br>c/o Chairman of the Fund<br>Legg Mason & Co.<br>620 Eighth Avenue, 49th Floor<br>New York, NY 10018<br>Year of birth: 1950 | Director and Member of Nominating and Audit Committees | Since January 1, 2015                 | Member of the Advisory Committee of the Dispute Resolution Research Center at the Kellogg Graduate School of Business, Northwestern University since 2002; Deputy General Counsel responsible for western hemisphere matters for BP PLC from 1999 to 2001; Associate General Counsel at Amoco Corporation responsible for corporate, chemical, and refining and marketing matters and special assignments from 1993 to 1998 (Amoco merged with British Petroleum in 1998 forming BP PLC). | 31  | None                                 |

**The following table provides information concerning the remaining Directors of the Fund:  
Class III Directors serving until the 2017 Annual Meeting of Stockholders**

**NON-INTERESTED DIRECTORS**

|  |  |            |   |    |   |
|--|--|------------|---|----|---|
| William R. Hutchinson<br>c/o Chairman of the Fund<br>Legg Mason & Co.<br>620 Eighth Avenue, 49th Floor<br>New York, NY 10018<br>Birth year: 1942 | Director and Member of Audit and Nominating Committees | Since 1995 | President, W.R. Hutchinson & Associates Inc. (consulting) | 31 | Director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc-Corp. (since 1994) |
| Dr. Riordan Roett  |  | Since 2007 |   | 31 | None  |

|                          |              |                         |
|--------------------------|--------------|-------------------------|
| c/o Chairman of the Fund | Director and | The Sarita and Don      |
| Legg Mason & Co.         | Member of    | Johnston Professor of   |
| 620 Eighth Avenue, 49th  | Audit and    | Political Science and   |
| Floor                    | Nominating   | Director of Western     |
| New York, NY 10018       | Committees   | Hemisphere Studies,     |
| Birth year: 1938         |              | Paul H. Nitze School of |
|                          |              | Advanced International  |
|                          |              | Studies, The Johns      |
|                          |              | Hopkins University      |
|                          |              | (since 1973)            |

\*\* The term Fund Complex means two or more registered investment companies that:

- (a) Hold themselves out to investors as related companies for purposes of investment and investor services; or
- (b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

| Name, Address and Birth Year   | Position(s)<br>Held with<br>Fund                                   | Term of<br>Office and<br>Length<br>Time<br>Served | Principal Occupation<br>During Past Five Years   | Number<br>of<br>Portfolios in<br>Fund<br>Complex**<br>Overseen by<br>Director | Other Directorships<br>Held by Director   |
|--|--|---|--|---|---|
| <b>Class II Directors serving until 2016 Annual Meeting of Stockholders</b>  |  |   |  |   |   |
| <b>NON-INTERESTED DIRECTORS</b>  |  |   |  |   |   |
| Daniel P. Cronin<br>c/o Chairman of the Fund<br>Legg Mason & Co.<br><br>620 Eighth Avenue, 49th Floor<br><br>New York, NY 10018<br><br>Birth year: 1946    | Director and<br>Member of<br>Audit and<br>Nominating<br>Committees | Since 2006  | Retired; formerly,<br>Associate General<br>Counsel, Pfizer, Inc.   | 31  | None  |
| Leslie H. Gelb<br>c/o Chairman of the Fund<br>Legg Mason & Co.,<br><br>620 Eighth Avenue, 49th Floor<br><br>New York, NY 10018<br><br>Birth year: 1937     | Director and<br>Member of<br>Audit and<br>Nominating<br>Committees | Since 2006  | President Emeritus and<br>Senior Board Fellow,<br>The Council on Foreign<br>Relations (since 2003);<br>formerly, President, The<br>Council on Foreign<br>Relations (prior to<br>2003); formerly,<br>Columnist, Deputy<br>Editorial Page Editor<br>and Editor, Op-Ed Page,<br><i>The New York Times</i>   | 31  | Director of two<br>registered investment<br>companies advised by<br>Aberdeen Asset<br>Management Asia<br>Limited (since 1994);<br>Director,<br>Encyclopedia<br>Brittanica; Director,<br>Centre Partners IV<br>and V, LP and<br>Affiliates |
| Eileen A. Kamerick<br>c/o Chairman of the Fund<br>Legg Mason & Co.,<br><br>620 Eighth Avenue, 49th Floor<br><br>New York, NY 10018<br><br>Birth year: 1958 | Director and<br>Member of<br>Audit and<br>Nominating<br>Committees | Since 2013  | Senior Vice President<br>and Chief Financial<br>Officer, ConnectWise,<br>Inc. (software and<br>services company)<br>(since 2015) and<br>Adjunct Professor,<br>Washington University<br>in St. Louis and<br>University of Iowa law<br>schools (since 2014);<br>formerly, CFO, Press<br>Ganey Associates<br>(health care informatics<br>company) (since 2012);<br>formerly Managing<br>Director and CFO, | 31  | Director of<br>Associated<br>Banc-Corp (financial<br>services company)<br>(since 2007); Westell<br>Technologies, Inc.<br><br>(technology<br>company) (since<br>2003)  |



Houlihan Lokey  
(international investment  
bank) (2010 to 2012)

\*\* The term **Fund Complex** means two or more registered investment companies that:

- (a) Hold themselves out to investors as related companies for purposes of investment and investor services; or
- (b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

Each of the Directors has served as a director of the Fund as indicated in the table above. The Directors were selected to join the Board based upon the following as to each Board Member: his or her character and integrity; such person's service as a board member of other funds in the Legg Mason fund complex; such person's willingness to serve and willingness and ability to commit the time necessary to perform the duties of a Director; as to each Director other than Ms. Trust, his or her status as not being an interested person as defined in the 1940 Act; and, as to Ms. Trust, his role with Legg Mason. No factor, by itself, was controlling.

In addition to the information provided in the table included above, each Director possesses the following attributes: Mr. Agdern, experience in business and as a legal professional; Ms. Colman, experience as a consultant and investment professional; Mr. Cronin, legal and managerial experience; Mr. Cucchi, experience as a college professor and leadership experience as an academic dean; Mr. Gelb, academic and world affairs and foreign relations experience and service as a board member of other registered investment companies; Mr. Hutchinson, experience in accounting and working with auditors, consulting, business and finance and service as a board member of another financial services company; Ms. Kamerick, experience in business and finance, including financial reporting, and experience as a board member of a highly regulated financial services company; Dr. Roett, expertise in Latin and South American societies and economies and academic leadership experience; and Ms. Trust, investment management and risk oversight experience as an executive and portfolio manager and leadership roles within Legg Mason and affiliated entities. References to the qualifications, attributes and skills of the Directors are pursuant to requirements of the Securities and Exchange Commission, do not constitute holding out of the Board or any Director as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

### Security Ownership of Management

The following table provides information concerning the dollar range of equity securities owned beneficially by each Director and nominee for election as Director as of December 31, 2014:

| Name of Director/Nominee        | Aggregate Dollar Range <sup>(1)</sup> of Equity Securities   |  |
|---------------------------------|--|--|
|                                 | Dollar Range <sup>(1)</sup> of Equity Securities in the Fund | in all Funds Overseen by Director/Nominee in Family of Investment Companies <sup>(2)</sup> |
| <b>NON-INTERESTED DIRECTORS</b> |  |  |
| Robert D. Agdern <sup>(3)</sup> | A  | A  |
| Carol L. Colman                 | A  | E  |
| Daniel P. Cronin                | C  | E  |
| Paolo M. Cucchi                 | A  | C  |
| Leslie H. Gelb                  | A  | A  |
| William R. Hutchinson           | E  | E  |
| Eileen A. Kamerick              | A  | A  |
| Dr. Riordan Roett               | A  | C  |
| <b>INTERESTED DIRECTOR</b>      |  |  |
| Jane E. Trust <sup>(4)</sup>    | A  | A  |

(1) The dollar ranges are as follows: A = None; B = \$1-\$10,000; C = \$10,001-\$50,000; D = \$50,001-\$100,000; E = Over \$100,000.

(2) The term, Family of Investment Companies, means any two or more registered investment companies that share the same investment adviser or principal underwriter or hold themselves out to investors as related companies for purposes of investment and investor services.

(3) Effective January 1, 2015, Mr. Agdern became a Director.

(4) Effective August 1, 2015, Ms. Trust became a Director.

At July 24, 2015, the nominees, Directors and officers of the Fund as a group beneficially owned less than 1% of the outstanding shares of the Fund's Common Stock and Preferred Shares.

No Director or nominee for election as Director who is not an interested person of the Fund as defined in the 1940 Act, nor any immediate family members, to the best of the Fund's knowledge, had any interest in

the Fund's investment adviser, or any person or entity (other than the Fund) directly or indirectly controlling, controlled by, or under common control with Legg Mason as of December 31, 2014.

### Director Compensation

Under the federal securities laws, and in connection with the Meeting, the Fund is required to provide to stockholders in connection with the Meeting information regarding compensation paid to the Directors by the Fund, as well as by the various other investment companies advised by LMPFA. The following table provides information concerning the compensation paid to each Director by the Fund during the fiscal year ended May 31, 2015 and the total compensation paid to each Director during the calendar year ended December 31, 2014. The Directors listed below are members of the Fund's Audit and Nominating Committees, as well as committees of the boards of certain other investment companies advised by LMPFA. Accordingly, the amounts provided in the table include compensation for service on all such committees. The Fund does not provide any pension or retirement benefits to Directors. In addition, no remuneration was paid during the fiscal year ended May 31, 2015 by the Fund to Mr. Fuller and Ms. Trust who are interested persons as defined in the 1940 Act.

| Name of Directors                  | Aggregate<br>Compensation<br>from the<br>Fund<br>for Fiscal<br>Year Ended<br>05/31/15 | Total Compensation<br>from the Fund and<br>Fund Complex <sup>(1)</sup><br>for<br>Calendar Year Ended<br>12/31/14 |
|------------------------------------|---|--|
| <b>Directorships<sup>(2)</sup></b> |   |  |
| Robert D. Agdern <sup>(3)</sup>    | \$ 7,904  | None   |
| Carol L. Colman                    | 14,881  | \$ 258,816   |
| Daniel P. Cronin                   | 14,574  | 258,816  |
| Paolo M. Cucchi                    | 13,453  | 231,941  |
| Leslie H. Gelb                     | 13,176  | 231,941  |
| William R. Hutchinson              | 18,365  | 280,231  |
| Eileen A. Kamerick                 | 15,739  | 198,668  |
| Dr. Riordan Roett                  | 13,357  | 231,941  |
| Jeswald W. Salacuse <sup>(4)</sup> | 156   | 135,559  |

(1) Fund Complex means two or more Funds (a registrant or, where the registrant is a series company, a separate portfolio of the registrant) that hold themselves out to investors as related companies for purposes of investment and investor services or have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other Funds.

(2) Each Director currently holds 31 investment company directorships within this Fund Complex.

(3) Effective January 1, 2015, Mr. Agdern became a Director.

(4) Mr. Salacuse retired from the Board of Directors, effective June 30, 2014.

**Responsibilities of the Board of Directors**

The Board of Directors is responsible under applicable state law for overseeing generally the management and operations of the Fund. The Directors oversee the Fund's operations by, among other things, meeting at its regularly scheduled meetings and as otherwise needed with the Fund's management and evaluating the performance of the Fund's service providers including LMPFA and Western Asset, the custodian and the transfer agent. As part of this process, the Directors consult with the Fund's independent auditors and with their own separate independent counsel.

The Directors review the Fund's financial statements, performance, net asset value and market price and the relationship between them, as well as the quality of the services being provided to the Fund. As part of this process, the Directors review the Fund's fees and expenses in light of the nature, quality and scope of the services being received while also seeking to ensure that the Fund continues to have access to high quality services in the future.

The Board of Directors has four regularly scheduled meetings each year, and additional meetings may be scheduled as needed. In addition, the Board has a standing Audit Committee and Corporate Governance and Nominating Committee (the Nominating Committee) that meet periodically and whose responsibilities are described below.

During the fiscal year ended May 31, 2015, the Board of Directors held four regular meetings and three special meetings. Each Director attended at least 75% of the aggregate number of meetings of the Board and the committees for which he or she was eligible. The Fund does not have a formal policy regarding attendance by Directors at annual meetings of stockholders.

Each of the Audit Committee and the Nominating Committee is composed of all Directors who have been determined not to be interested persons of the Fund, LMPFA, Western Asset or their affiliates within the meaning of the 1940 Act, and who are independent as defined in the New York Stock Exchange listing standards (Independent Directors), and is chaired by an Independent Director. The Board in its discretion from time to time may establish *ad hoc* committees.

The Board of Directors is currently comprised of nine directors, eight of whom are Independent Directors. Effective August 1, 2015, Jane E. Trust became Chairman of the Board. Ms. Trust is an interested person of the Fund. The appointment of Ms. Trust as Chairman reflects the Board's belief that his experience, familiarity with the Fund's day-to-day operations and access to individuals with responsibility for the Fund's management and operations provides the Board with insight into the Fund's business and activities and, with his access to appropriate administrative support, facilitates the efficient development of meeting agendas that address the Fund's business, legal and other needs and the orderly conduct of board meetings. Mr. Hutchinson serves as Lead Independent Director. The Chairman develops agendas for Board meetings in consultation with the Lead Independent Director and presides at all meetings of the Board. The Lead Independent Director, among other things, chairs executive sessions of the Independent Directors, serves as a spokesperson for the Independent Directors and serves as a liaison between the Independent Directors and the Fund's management between Board meetings. The Independent Directors regularly meet outside the presence of management and are advised by independent legal counsel. The Board also has determined that its leadership structure, as described above, is appropriate in light of the size and complexity of the Fund, the number of Independent Directors (who constitute a super-majority of the Board's membership) and the Board's general oversight responsibility. The Board also believes that its leadership structure not only facilitates the orderly and efficient flow of information to the Independent Directors from management, including Western Asset, the Fund's subadviser, but also enhances the independent and orderly exercise of its responsibilities.

### **Audit Committee**

The Fund's Audit Committee is composed entirely of all of the Independent Directors: Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Ms. Kamerick serves as the Chair of the Audit Committee and has been determined by the Board to be an audit committee financial expert. The principal functions of the Audit Committee are: to (a) oversee the scope of the Fund's audit, the Fund's accounting

and financial reporting policies and practices and its internal controls and enhance the quality and objectivity of the audit function; (b) approve, and recommend to the Independent Board Members (as such term is defined in the Audit Committee Charter) for their ratification, the selection, appointment, retention or termination of the Fund's independent registered public accounting firm, as well as approving the compensation thereof; and (c) approve all audit and permissible non-audit services provided to the Fund and certain other persons by the Fund's independent registered public accounting firm. This Committee met two times during the fiscal year ended May 31, 2015. The Fund's Board of Directors most recently reviewed and adopted an Audit Committee Charter at a meeting held on February 11, 2014, a copy of which was attached as Annex A to the Fund's proxy statement dated August 27, 2014.

### **Nominating Committee**

The Fund's Nominating Committee, the principal function of which is to select and nominate candidates for election as Directors of the Fund, is composed of all of the Independent Directors: Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Mr. Cronin serves as the Chair of the Nominating Committee. The Nominating Committee may consider nominees recommended by the stockholder as it deems appropriate. Stockholders who wish to recommend a nominee should send recommendations to the Fund's Secretary that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Directors. A recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected by the stockholders. The Nominating Committee met twice during the fiscal year ended May 31, 2015. The Fund's Board of Directors most recently reviewed and adopted a Corporate Governance and Nominating Committee Charter at a meeting held on February 14, 2013, a copy of which was attached as Annex B to the Fund's proxy statement dated August 23, 2013.

The Nominating Committee identifies potential nominees through its network of contacts, and in its discretion may also engage a professional search firm. The Nominating Committee meets to discuss and consider such candidates qualifications and then chooses a candidate by majority vote. The Nominating Committee does not have specific, minimum qualifications for nominees and has not established specific qualities or skills that it regards as necessary for one or more of the Fund's Directors to possess (other than any qualities or skills that may be required by applicable law, regulation or listing standard). However, as set forth in the Nominating Committee Charter, in evaluating a person as a potential nominee to serve as a Director of the Fund, the Nominee Committee may consider the following factors, among any others it may deem relevant:

whether or not the person is an interested person as defined in the 1940 Act and whether the person is otherwise qualified under applicable laws and regulations to serve as a Director of the Fund;

whether or not the person has any relationships that might impair his or her independence, such as any business, financial or family relationships with Fund management, the investment manager of the Fund, Fund service providers or their affiliates;

whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes;

whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Director of the Fund;





the contribution which the person can make to the Board and the Fund (or, if the person has previously served as a Director of the Fund, the contribution which the person made to the Board during his or her previous term of service), with consideration being given to the person's business and professional experience, education and such other factors as the Committee may consider relevant;

the character and integrity of the person; and

whether or not the selection and nomination of the person would be consistent with the requirements of the Fund's retirement policies.

The Nominating Committee does not have a formal diversity policy with regard to the consideration of diversity in identifying potential director nominees but may consider diversity of professional experience, education and skills when evaluating potential nominees for Board membership.

### **Risk Oversight**

The Board's role in risk oversight of the Fund reflects its responsibility under applicable state law to oversee generally, rather than to manage, the operations of the Fund. In line with this oversight responsibility, the Board receives reports and makes inquiry at its regular meetings and as needed regarding the nature and extent of significant Fund risks (including investment, compliance and valuation risks) that potentially could have a materially adverse impact on the business operations, investment performance or reputation of the Fund, but relies upon the Fund's management (including the Fund's portfolio managers) and Chief Compliance Officer, who reports directly to the Board, and the Manager to assist it in identifying and understanding the nature and extent of such risks and determining whether, and to what extent, such risks may be eliminated or mitigated. In addition to reports and other information received from Fund management and the Manager regarding the Fund's investment program and activities, the Board as part of its risk oversight efforts meets at its regular meetings and as needed with the Fund's Chief Compliance Officer to discuss, among other things, risk issues and issues regarding the policies, procedures and controls of the Fund. The Board may be assisted in performing aspects of its role in risk oversight by the Audit Committee and such other standing or special committees as may be established from time to time by the Board. For example, the Audit Committee of the Board regularly meets with the Fund's independent public accounting firm to review, among other things, reports on the Fund's internal controls for financial reporting.

The Board believes that not all risks that may affect the Fund can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the Fund's goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the Directors as to risk management matters are typically summaries of relevant information and may be inaccurate or incomplete. As a result of the foregoing and other factors, the Board's risk management oversight is subject to substantial limitations.

### **Officers**

The Fund's executive officers are chosen each year at a regular meeting of the Board of Directors of the Fund, to hold office until their respective successors are duly elected and qualified. Officers of the Fund receive no compensation from the Fund although they may be reimbursed by the Fund for reasonable out-of-pocket

travel expenses for attending Board meetings. In addition to Ms. Trust, the Fund's Chairman, CEO and President, the executive officers of the Fund currently are:

| <b>Name, Address and Age</b>  | <b>Position(s)<br/>Held<br/>with Fund</b> | <b>Length of<br/>Time<br/>Served</b> | <b>Principal Occupation(s)<br/>During Past 5 years</b>   |
|---|---|--------------------------------------|--|
| Richard F. Sennett<br>Legg Mason & Co.<br>100 International Drive<br>Baltimore, MD 21202<br>Birth year: 1970    | Principal<br>Financial<br>Officer         | Since 2011                           | Principal Financial Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co.'s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC's Division of Investment Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC's Division of Investment Management (2002 to 2007) |
| Ted P. Becker<br>Legg Mason & Co.<br>620 Eighth Avenue,<br>49th Floor<br>New York, NY 10018<br>Birth year: 1951 | Chief<br>Compliance<br>Officer            | Since 2006                           | Director of Global Compliance at Legg Mason (since 2006); Managing Director of Compliance at Legg Mason, (since 2005); Chief Compliance Officer with certain mutual funds associated with Legg Mason (since 2006); Managing Director of Compliance at Legg Mason or its predecessors (2002-2005). Prior to 2002, Managing Director Internal Audit & Risk Review at Citigroup Inc.  |
| Vanessa A. Williams<br>Legg Mason & Co.<br>100 First Stamford Place,<br>Stamford, CT 06902<br>Birth year: 1979  | Identity Theft<br>Prevention<br>Officer   | Since 2011                           | Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Chief Anti-Money Laundering Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); formerly, Assistant Vice President and Senior Compliance Officer of Legg Mason & Co. or its predecessor (2008 to 2011);   |

|   |                  |                   |  |
|---|------------------|-------------------|--|
|   |                  |                   | formerly, Compliance Analyst of Legg Mason & Co. or its predecessor (2004 to 2008)   |
| <p>Steven Frank</p> <p>Legg Mason &amp; Co.</p> <p>620 Eighth Avenue,</p> <p>49th Floor</p> <p>New York, NY 10018</p> <p>Birth Year: 1967</p> | <p>Treasurer</p> | <p>Since 2010</p> | <p>Vice President of Legg Mason &amp; Co. (since 2002); Treasurer of certain funds associated with Legg Mason or its affiliates (since 2010); formerly, Controller of certain funds associated with Legg Mason or its predecessors (from 2005 to 2010); Formerly, Assistant Controller of certain mutual funds associated with Legg Mason predecessors (from 2001 to 2005)</p> |

| <b>Name, Address and Age</b>  | <b>Position(s)<br/>Held<br/>with Fund</b> | <b>Length of<br/>Time<br/>Served</b> | <b>Principal Occupation(s)<br/>During Past 5 years</b>   |
|---|---|--------------------------------------|--|
| Robert I. Frenkel<br>Legg Mason & Co.<br>100 First Stamford Place<br>Stamford, CT 06902<br>Birth year: 1954 | Secretary and<br>Chief Legal<br>Officer   | Since 2003                           | Managing Director and General<br>Counsel of Global Mutual Funds<br>for Legg Mason and its<br>predecessor (since 1994); Secretary<br>and Chief Legal Officer of mutual<br>funds associated with Legg Mason<br>(since 2003); formerly, Secretary<br>of CFM (2001-2004) |

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act") and Section 30(h) of the 1940 Act in combination require the Fund's Directors and officers and persons who own more than 10% of the Fund's common stock, as well as LMPFA and certain of its affiliated persons, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC") and the New York Stock Exchange, Inc. ("NYSE"). Such persons and entities are required by SEC regulations to furnish the Fund with copies of all such filings. Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Fund believes that, during the fiscal year ended May 31, 2015, all such filing requirements were met with respect to the Fund, except, due to an administrative oversight, a late filing of an initial Form 3 was made on behalf of each of the following persons: Amy Olmert, Manager of LMPFA (Form 3 was due in April 2011); Peter Nachtwey, Manager of LMPFA (Form 3 was due in April 2011); and Barry Bilson, Director of Western Asset (Form 3 was due in September 2013).

### **Report of the Audit Committee**

Pursuant to a meeting of the Audit Committee on July 21, 2015, the Audit Committee reports that it has: (i) reviewed and discussed the Fund's audited financial statements with management; (ii) discussed with KPMG LLP ("KPMG"), the independent registered public accounting firm of the Fund, the matters required to be discussed by Statement on Auditing Standards No. 61; as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and (iii) previously received written confirmation from KPMG that it is independent and written disclosures regarding such independence as required by Independence Standards Board Standard No. 1, and discussed with KPMG the independent registered public accounting firm's independence.

Pursuant to the Audit Committee Charter adopted by the Fund's Board, the Audit Committee is responsible for conferring with the Fund's independent registered public accounting firm, reviewing annual financial statements and recommending the selection of the Fund's independent registered public accounting firm. The Audit Committee advises the full Board with respect to accounting, auditing and financial matters affecting the Fund. The independent registered public accounting firm is responsible for planning and carrying out the proper audits and reviews of the Fund's financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are responsible for oversight. Moreover, the Audit Committee relies on and makes no independent verification of the facts presented to it or representations made by management or the independent registered public accounting firm. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial



reporting principals and policies, or internal controls and procedures, designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not provide assurance that the audit of the Fund's financial statements has been carried out in accordance with generally accepted accounting standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based on the review and discussions referred to in items (i) through (iii) above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Fund's annual report for the Fund's fiscal year ended May 31, 2015.

Submitted by the Audit Committee

of the Fund's Board of Directors

Robert D. Agdern

Carol L. Colman

Daniel P. Cronin

Paolo M. Cucchi

Leslie H. Gelb

William R. Hutchinson

Eileen A. Kamerick

Riordan Roett

July 21, 2015

**Board Recommendation and Required Vote**

Three Directors are elected by a plurality of the votes cast by the holders of shares of the Fund's Common Stock and Preferred Shares voting together as a single class and one Director is elected only by the holders of shares of the Fund's Preferred Shares present in person or represented by proxy at a meeting at which a quorum is present. For purposes of the election of Directors, abstentions and broker non-votes will not be considered votes cast, and do not affect the plurality vote required for Direct