PROSPECTUS

WESTERN ASSET

CLAYMORE

25,250,000 Shares
Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund

Common Shares of Beneficial Interest
$15.00 per share

Investment Objectives. Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund (the "Fund") is a newly organized, diversified, closed-end management investment company. The Fund's primary investment objective is to provide current income. Capital appreciation, when consistent with current income, is a secondary investment objective.

No Prior History. Because the Fund is newly organized, its common shares have no history of public trading. Shares of closed-end investment companies frequently trade at a discount from their net asset value. The risks of investing in a newly organized, closed-end investment company may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering. The common shares have been authorized for listing on the New York Stock Exchange, subject to notice of issuance, under the symbol "WIA."

(continued on following page)

Investing in the common shares involves risks that are described in the "Risks" section beginning on page 26 of this prospectus.

	Per Share	Total
Public offering price	$15.00	$378,750,000
Sales load(1)	$.675	$17,043,750
Estimated offering expenses(2)	$.03	$757,500
Proceeds to the Fund	$14.295	$360,948,750

(1) The Fund has agreed to pay the underwriters $.005 per common share as a partial reimbursement of expenses incurred in connection with the offering. For a description of other compensation paid to the underwriters by the Fund and Western Asset Management Company, see "Underwriting."

(2) Total offering costs borne by the Fund are expected to be $757,500. Western Asset Management Company and Claymore Securities, Inc. have agreed to (i) pay the amount by which the Fund's offering costs (other than the sales load) exceed $.03 per common share and (ii) reimburse all of the Fund's organizational expenses. To the extent that the Fund's offering costs are less than $.03 per common share, up to .10% of the public offering price of the securities sold in this offering, up to such expense limit, will be paid to Claymore Securities, Inc. as compensation for the distribution services it provides to the Fund. See "Underwriting."

The underwriters may also purchase up to 3,787,500 additional common shares at the public offering price, less the sales load, within 45 days from the date of this prospectus to cover overallotments.

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

The common shares will be ready for delivery on or about September 30, 2003.

Merrill Lynch & Co. **Legg Mason Wood Walker Incorporated**

RBC Capital Markets **Advest, Inc.** **BB&T Capital Markets** **Robert W. Baird & Co.**

J.J.B. Hilliard, W.L. Lyons, Inc. **Janney Montgomery Scott LLC** **McDonald Investments Inc.**

Morgan Keegan & Company, Inc. **Oppenheimer** **Quick & Reilly, Inc.** **Stifel, Nicolaus & Company Incorporated**

WR Hambrecht & Co. **Wedbush Morgan Securities Inc.** **Claymore Securities, Inc.**

The date of this prospectus is September 25, 2003.

(continued from previous page)

Portfolio Contents. Under normal market conditions, the Fund will invest at least 80% of its total managed assets in U.S. Treasury Inflation Protected Securities ("U.S. TIPS"). U.S. TIPS are fixed income securities issued by the U.S. Department of the Treasury, the principal amounts of which are adjusted daily based upon changes in the rate of inflation (currently represented by the non-seasonally adjusted Consumer Price Index for All Urban Consumers). The Fund may also invest up to 20% of its total managed assets in corporate bonds or other securities and instruments. The Fund intends to limit its investments to U.S. dollar-denominated securities and instruments, and will not invest in bonds that are below investment grade quality at the time of purchase. Investment grade quality bonds are bonds rated within a rating agency's four highest grades (Baa or BBB or higher by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Rating Group ("S&P") or Fitch Ratings ("Fitch") or a similar rating of another nationally recognized rating agency) or bonds that are unrated but judged to be of comparable quality by the Fund's investment advisor. The Fund may enter into short sales, use reverse repurchase agreements and dollar rolls, and engage in other types of transactions, including derivative transactions (such as options, futures contracts and swaps), for risk management purposes or as part of its investment strategies. The Fund currently expects that the average effective duration of its portfolio will range between zero and 15 years, although this target duration may change from time to time. "Total managed assets" means the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage). There can be no assurance that the Fund will achieve its investment objectives.

Investment Advisor. Western Asset Management Company will act as investment advisor to the Fund. See "Management of the Fund."

Leverage. The Fund currently anticipates issuing preferred shares in an aggregate amount of approximately 33% of its total managed assets to buy additional investments. Such preferred shares, together with other forms of leverage (including reverse repurchase agreements and dollar roll transactions), may not exceed 38% of the Fund's total managed assets. The practice of issuing preferred shares or utilizing borrowings in order to increase the Fund's assets for investment purposes is known as "leverage" and will create special risks. The Fund currently expects to use reverse repurchase agreements, short sales, futures contracts, options, swaps, dollar rolls and/or other transactions that may in certain circumstances be considered leverage. To the extent that the Fund covers its obligations under such transactions, as described under "Preferred Shares and Other Leverage," such transactions (other than reverse repurchase agreements and dollar roll transactions) will not be considered leverage for purposes of the Fund's policy on the amount of leverage it may incur. However, these transactions, even if covered, represent a form of economic leverage and will create special risks. See "Risks—Leverage Risk" and "Preferred Shares and Other Leverage."

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest in the common shares, and retain it for future reference. A Statement of Additional Information dated September 25, 2003, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this prospectus, which means that it is part of the prospectus for legal purposes. You can review the table of contents of the Statement of Additional Information on page 51 of this prospectus. You may request a free copy of the Statement of Additional Information by calling 1-800-345-7999 or by writing to the Fund, or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's web site (http://www.sec.gov).

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

TABLE OF CONTENTS

Please see page 52 for important privacy policy information.

You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. The Fund's business, financial condition, results of operations and prospects may have changed since that date. The Fund will amend or supplement this prospectus to reflect material changes to the information contained in this prospectus to the extent required by applicable law.

PROSPECTUS SUMMARY

This is only a summary. This summary may not contain all of the information that you should consider before investing in the common shares of the Fund. You should review the more detailed information contained in this prospectus and in the Statement of Additional Information.

The Fund . . . . Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund is a newly organized, diversified, closed-end management investment company. Throughout this prospectus, Western Asset/ Claymore U.S. Treasury Inflation Protected Securities Fund is referred to simply as the "Fund." See "The Fund."

The Offering . . . . The Fund is offering 25,250,000 common shares of beneficial interest at $15.00 per share through a group of underwriters led by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). The common shares of beneficial interest are called "common shares" throughout this prospectus. An investor must purchase at least 100 common shares ($1,500) in order to participate in this offering. The Fund has given the underwriters an option to purchase up to 3,787,500 additional common shares to cover orders in excess of 25,250,000 common shares. Western Asset Management Company and Claymore Securities, Inc. have agreed to (i) pay the amount by which the Fund's offering costs (other than the sales load, but including a $.005 per common share reimbursement of expenses to the underwriters) exceed $.03 per common share and (ii) reimburse all of the Fund's organizational expenses. See "Underwriting."

Investment Advisor . . . . Western Asset Management Company, a wholly owned subsidiary of Legg Mason, Inc., serves as the investment advisor to the Fund. Subject to supervision by the Board of Trustees, Western Asset Management Company is responsible for managing the investment activities of the Fund and certain of the Fund's business affairs and other administrative matters. The Fund will pay Western Asset Management Company an annual fee, payable monthly, in an amount equal to .40% of the Fund's average weekly assets. See "Management of the Fund—Investment Advisor" for more information about Western Asset Management Company and how this fee is calculated. Western Asset Management Company is referred to as "Western Asset" in this prospectus.

Investment Objectives . . . . The Fund's primary investment objective is to provide current income. Capital appreciation, when consistent with current income, is a secondary investment objective. No assurance can be given that the Fund will achieve its investment objectives.

Investment Policies . . . . Under normal market conditions, the Fund will invest at least 80% of its total managed assets in U.S. TIPS. U.S. TIPS are fixed income securities issued by the U.S. Department of the Treasury, the principal amounts of which are adjusted daily based upon changes in the rate of inflation (currently represented by the non-seasonally adjusted Consumer Price Index for All Urban Consumers). The Fund may also invest up to 20% of its total managed assets in corporate bonds or other securities and instruments. The Fund intends to limit its investments to U.S. dollar-denominated securities and instruments, and will not invest in bonds that are below investment grade quality at the time of purchase. Investment grade quality bonds are bonds rated within a rating agency's four highest grades (Baa or BBB or higher by Moody's, S&P or Fitch or a similar rating of another nationally recognized rating agency) or bonds that are unrated but judged to be of comparable quality by Western Asset. The Fund may enter into short sales, use reverse repurchase agreements and dollar rolls, and engage in other types of transactions, including derivative transactions (such as options, futures contracts and swaps), for risk management purposes or as part of its investment strategies. The Fund currently expects that the average effective duration of its portfolio will range between zero and 15 years, although this target duration may change from time to time. See "The Fund's Objectives, Strategies and Investments."

Investment Philosophy . . . . Western Asset is exclusively a fixed income manager. Its mission is to remain a leader in diversified fixed income management by operating a seamlessly integrated, global enterprise, exercising uncompromising standards of excellence in all aspects of its business. Its objective is to create for its clients diversified, value-oriented portfolios that are managed for the long term.

Opportunistic Trading. Western Asset believes that significant inefficiencies exist in the fixed income markets. The firm utilizes an opportunistic approach that actively seeks to identify and capitalize on inefficiencies in the fixed income markets.

Team Approach. Western Asset's philosophy centers upon a team approach. Portfolios are managed by uniting groups of specialists dedicated to different market sectors. The investment responsibilities of each group are distinct, but success comes from the fluid and constant interaction that unites these groups into a single team. The Fund's investments will be the responsibility of the firm's Investment Strategy Group, which is currently chaired by Western Asset's Chief Investment Officer and which also currently includes the firm's Deputy Chief Investment Officer, its Senior Economist and the head of each sector group.

Risk Management. Western Asset incorporates a variety of risk reduction strategies in the management of its portfolios. The firm also employs a dedicated risk management team whose sole function is to monitor investment risk.

Preferred Shares and Other Leverage . . . . The Fund may issue preferred shares of beneficial interest ("preferred shares"), enter into reverse repurchase agreements or dollar roll transactions, and/or borrow money in order to buy additional securities. This practice is known as "leverage." The Fund anticipates that, within one to three months after completion of this offering, it will offer preferred shares representing approximately 33% of the Fund's total managed assets, as measured immediately after the issuance of the preferred shares. If the Fund offers preferred shares, the costs of that offering will be borne immediately by holders of common shares ("Common Shareholders") and result in a reduction of the net asset value of the common shares. Such preferred shares, together with other forms of leverage (including reverse repurchase agreements and dollar roll transactions), will not exceed 38% of the Fund's total managed assets. "Total managed assets" means the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage). For purposes of calculating "total managed assets," the liquidation preference of any preferred shares outstanding is not considered a liability. The Fund currently expects to enter into reverse repurchase agreements and/or dollar roll transactions for leveraging purposes, initially as a substitute for all or a portion of the preferred shares it plans to issue during the period prior to their issuance and thereafter, to the extent determined by Western Asset, up to 38% of total managed assets (together with other forms of leverage). Although the Fund does not currently intend to borrow from banks or other financial institutions or issue commercial paper in order to leverage its portfolio, it may do so in the future. Bank borrowings and outstanding commercial paper issued by the Fund will be included when calculating the amount of the Fund's outstanding leverage.

In addition to the forms of leverage described above, the Fund currently expects to use short sales, futures contracts, options, credit default swaps, and/or other transactions that may in certain circumstances be considered leverage. To the extent that the Fund covers its obligations under such transactions, as described under "Preferred Shares and Other Leverage," such transactions will not be considered leverage for purposes of the Fund's policy on the amount of leverage it may incur. However, these transactions, even if covered, represent a form of economic leverage (although they will not be considered "leverage" for purposes of calculating total managed assets) and will involve special risks. The precise amount of leverage, if any, used by the Fund may vary from time to time, and the Fund will not necessarily incur the leverage described above. Leverage involves special risks. There is no assurance that the Fund will issue preferred shares or otherwise use leverage, or that, if preferred shares are issued or leverage is otherwise used, the Fund's leveraging strategy will be successful. See "Risks—Leverage Risk."

During periods in which the Fund is using leverage, the fees paid to Western Asset and Claymore Securities, Inc., the Fund's servicing agent, will be higher than if the Fund did not use leverage, because the fees paid will be calculated on the basis of the Fund's average weekly assets, including the proceeds from the issuance of preferred shares and other leverage. See "Management of the Fund—Investment Management Agreement" and "Servicing Agent."

It is anticipated that dividends with respect to preferred shares and/or interest with respect to other forms of leverage will be based on shorter-term interest rates that would be periodically reset. The

Fund intends to invest the proceeds from the issuance of preferred shares or the use of other forms of leverage principally in intermediate- and longer-term bonds. So long as the Fund's portfolio provides a higher rate of return (net of Fund expenses) than dividend rates on preferred shares and interest rates on other forms of leverage, as reset periodically, the use of these forms of leverage will allow Common Shareholders to receive a higher current return than if the Fund were not leveraged. If, however, shorter-term interest rates rise relative to intermediate- and longer-term interest rates or the rate of return on the Fund's portfolio, dividend rates on preferred shares and interest rates on other forms of leverage could exceed the rate of return on intermediate- and longer-term U.S. TIPS and other investments held by the Fund, reducing the return to Common Shareholders.

There can be no assurance that the use of leverage will result in a higher yield on the common shares. When leverage is employed, the net asset value and market price of the common shares and the yield to Common Shareholders will be more volatile. Leverage will cause the Fund's net asset value to fall more sharply in response to increases in interest rates than it would have in the absence of leverage. In addition, preferred shares, if issued, are expected to pay cumulative dividends, which may tend to increase leverage risk and may result in less income for Common Shareholders. See "Preferred Shares and Other Leverage," "Description of Shares—Preferred Shares" and "Risks—Leverage Risk."

Distributions . . . . The Fund intends to distribute to Common Shareholders monthly dividends of all or a portion of its net investment income after the payment of dividends and interest, if any, owed with respect to the use of leverage. The Fund expects to declare the initial monthly dividend on the common shares within approximately 45 days of the completion of this offering and to pay that initial monthly dividend approximately 60 to 90 days after the completion of this offering. Unless an election is made to receive distributions in cash, Common Shareholders will automatically have all dividends and distributions reinvested in additional common shares under the Fund's Dividend Reinvestment Plan. See "Dividend Reinvestment Plan."

Listing . . . . The common shares have been authorized for listing on the New York Stock Exchange, subject to notice of issuance, under the symbol "WIA." See "Description of Shares—Common Shares."

Servicing Agent . . . . Claymore Securities, Inc., a registered broker-dealer, will act as servicing agent to the Fund. Claymore Securities, Inc. provides supervision, management or servicing on approximately $3.3 billion in assets through closed-end funds, defined portfolios and separately managed accounts.

For its services, Claymore Securities, Inc. will receive an annual fee from the Fund, payable monthly in arrears, which will be based on the Fund's average weekly assets during such month, in an amount equal to .15% of the Fund's average weekly assets. For more information on how this fee is calculated, see "Servicing Agent."

Administrator, Custodian and Transfer Agent	Legg Mason Fund Adviser, Inc., an affiliate of Western Asset, will serve as the Fund's administrator. State Street Bank & Trust Company will serve as custodian of the Fund's assets. EquiServe Trust Company, N.A. and its affiliate, EquiServe, Inc. (together, "EquiServe"), will serve as the Fund's transfer agent, dividend disbursing agent and registrar. See "Management of the Fund—Administrator" and "Custodian and Transfer Agent."
Market Price of Shares	Shares of closed-end investment companies frequently trade at prices lower than net asset value. Shares of closed-end investment companies like the Fund that invest in investment grade bonds have during some periods traded at prices higher than net asset value and during other periods traded at prices lower than net asset value. In general, shares of closed-end investment companies trade at prices lower than net asset value more frequently than such shares trade at prices higher than net asset value. The Fund cannot assure Common Shareholders that the common shares will trade at a price higher than or equal to net asset value in the future. Net asset value will be reduced immediately following the offering by the sales load and the amount of offering costs paid by the Fund. In addition to net asset value, market price may be affected by such factors relating to the Fund or its portfolio holdings as the Fund's use of leverage, dividends paid (which are in turn affected by expenses), call protection, interest rate movements, dividend stability, portfolio credit quality, liquidity, market supply and demand and general market and economic conditions and other factors. See "Preferred Shares and Other Leverage," "Risks," "Description of Shares" and "Repurchase of Fund Shares; Conversion to Open-End Fund" in this prospectus, and the Statement of Additional Information under "Repurchase of Common Shares; Conversion to Open-End Fund." The common shares are designed primarily for long-term investors, and an investor should not purchase common shares if he or she intends to sell them shortly after purchase.
Special Risk Considerations . . .	*No Operating History.* The Fund is a newly organized, diversified, closed-end management investment company with no operating history. *Investment Risk.* An investment in the Fund is subject to investment risk, including the possible loss of the entire amount that you invest. *Market Discount Risk.* Shares of closed-end management investment companies frequently trade at a discount from their net asset value, and the Fund's shares may trade at a price that is less than the initial offering price. Net asset value will be reduced immediately following the initial offering by a 4.5% sales load charge and offering costs paid by the Fund. The risk of investing in a newly organized closed-end investment company may be greater for investors who sell their shares in a relatively short period of time after completion of the initial offering. The common shares are designed for long-term investors and should not be treated as trading vehicles.

Interest Rate Risk. Interest rate risk is the risk that the bonds in the Fund's portfolio (including U.S. TIPS) will decline in value because of increases in market interest rates. The prices of longer-term bonds generally fluctuate more than prices of shorter-term bonds as interest rates change. Because the Fund will invest primarily in intermediate- to longer-term bonds, the common share net asset value and market price per share will fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term bonds. Because market interest rates are currently near their lowest levels in many years, there is a greater risk that the Fund's portfolio will decline in value. The Fund's use of leverage, as described below, will increase interest rate risk. See "Risks—Leverage Risk."

Risks Relating to U.S. TIPS. The value of inflation-protected securities such as U.S. TIPS generally fluctuates in response to changes in real interest rates, which are in turn tied to the relationship between nominal interest rates and the rate of inflation. Therefore, if inflation were to rise at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of U.S. TIPS. In contrast, if nominal interest rates increased at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of U.S. TIPS. Although the principal value of U.S. TIPS declines in periods of deflation, holders at maturity receive no less than the par value of the bond. However, if the Fund purchases U.S. TIPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Fund may experience a loss if there is a subsequent period of deflation. If inflation is lower than expected during the period the Fund holds U.S. TIPS, the Fund may earn less on the securities than on conventional bonds. Any increase in principal value of U.S. TIPS caused by an increase in the index is taxable in the year the increase occurs, even though the Fund will not receive cash representing the increase at that time. As a result, the Fund could be required at times to liquidate other investments, including when it is not advantageous to do so, in order to satisfy its distribution requirements as a regulated investment company under the Code. See "Tax Matters."

If real interest rates rise *(i.e.*, if interest rates rise due to reasons other than inflation), the value of the U.S. TIPS in the Fund's portfolio will decline. In addition, because the principal amount of U.S. TIPS would be adjusted downward during a period of deflation, the Fund will be subject to deflation risk with respect to its investments in these securities.

The daily adjustment of the principal value of U.S. TIPS is currently tied to the non-seasonally adjusted Consumer Price Index for All Urban Consumers, which is calculated monthly by the U.S. Bureau of Labor Statistics. The Consumer Price Index for All Urban Consumers is a measurement of changes in the cost of living, made up of components such as housing, food, transportation and energy. There can no assurance that such index will accurately measure the real rate of inflation in the prices of goods and services.

The U.S. Treasury only began issuing inflation-protected securities in 1997, and the market for such securities may be less developed or liquid, and more volatile, than certain other securities markets as a result. The U.S. Treasury currently issues U.S. TIPS in only ten-year maturities, although U.S. TIPS with different maturities have been issued in the past and may be issued in the future.

Credit Risk. Credit risk is the risk that one or more bonds in the Fund's portfolio will decline in price, or fail to pay interest or principal when due, because the issuer of the bond experiences a decline in its financial status.

Lower Grade and Unrated Securities Risk. Although the Fund will not invest in securities that are below investment grade quality at the time of purchase, the Fund is not required to dispose of a security if a rating agency or Western Asset downgrades its assessment of the credit characteristics of a particular issue. As a result the Fund may, from time to time, hold bonds of below investment grade quality. Lower grade securities, or equivalent unrated securities, which are commonly known as "junk bonds," typically entail greater potential price volatility and may be less liquid than higher-rated securities. Lower grade securities are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. These securities may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Unrated securities may be less liquid than comparable rated securities and involve the risk that Western Asset may not accurately evaluate the security's comparative credit rating. Analysis of the creditworthiness of issuers of lower grade securities may be more complex than for issuers of higher-quality debt obligations. To the extent that the Fund holds lower grade and/or unrated securities, the Fund's success in achieving its investment objectives may depend more heavily on Western Asset's credit analysis than if the Fund held exclusively higher-quality and rated securities.

Leverage Risk. The use of leverage—through the issuance of preferred shares and borrowing of money and, under certain circumstances, reverse repurchase agreements, short sales, futures contracts, credit default swaps, dollar roll transactions and other investment techniques—to purchase additional investments creates an opportunity for increased common share net investment income dividends and capital appreciation, but also creates special risks for Common Shareholders. The Fund's leveraging strategy may not be successful. Leverage is a speculative technique that may expose the Fund to greater risk and increased costs. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage. As a result, leverage will cause greater changes in the Fund's net asset value. The Fund will also have to pay dividends with respect to preferred shares and/or interest with respect to other forms of leverage, which may reduce the Fund's return. This expense may be greater than the Fund's return on the underlying investments.

It is anticipated that dividends with respect to preferred shares and/or interest with respect to other forms of leverage will be based on shorter-term interest rates that would be periodically reset. The Fund intends to invest the proceeds from the issuance of preferred shares or the use of other forms of leverage principally in intermediate- and longer-term bonds. So long as the Fund's portfolio provides a higher rate of return (net of Fund expenses) than dividend rates on preferred shares and interest rates on other forms of leverage, as reset periodically, the use of leverage will allow Common Shareholders to receive a higher current return than if the Fund were not leveraged. If, however, shorter-term interest rates rise relative to intermediate- and long-term interest rates or the rate of return on the Fund's portfolio, dividend rates on preferred shares and interest rates on other forms of leverage could exceed the rate of return on intermediate- and longer-term bonds and other investments held by the Fund, reducing the return to Common Shareholders. There can be no assurance that the use of leverage will result in a higher yield on the common shares. When leverage is employed, the net asset value and market price of the common shares and the yield to Common Shareholders will be more volatile. The use of leverage will cause the Fund's net asset value to fall more sharply in response to increases in interest rates than it would in the absence of the use of leverage. In addition, preferred shares, if issued, are expected to pay cumulative dividends, which may tend to increase leverage risk.

Leverage creates two major types of risks for Common Shareholders: the likelihood of greater volatility of net asset value and market price of the common shares because changes in the value of the Fund's assets, including investments bought with the proceeds from the use of leverage, are borne entirely by the Common Shareholders; and the possibility either that common share net investment income will fall if the interest and dividend rates on leverage rise or that common share net investment income will fluctuate because the interest and dividend rates on leverage vary.

In addition, under certain circumstances, Common Shareholders may not receive dividends, but holders of preferred shares may, because preferred shares have priority of payment over common shares. The issuance of preferred shares will also alter the voting power of Common Shareholders. If the Fund has preferred shares outstanding, two of the Fund's Trustees will be elected by the holders of preferred shares, voting separately as a class. The remaining Trustees of the Fund will be elected by holders of common shares and preferred shares voting together as a single class. In the unlikely event that the Fund fails to pay dividends on preferred shares for two years, holders of the preferred shares would be entitled to elect a majority of the Trustees of the Fund.

Issuer Risk. The value of a corporate debt instrument may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

Smaller Company Risk. The general risks associated with corporate debt obligations are particularly pronounced for securities issued by companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources, or may depend on a few key employees. As a result, they may be subject to greater levels of credit, interest rate and issuer risk. Securities of smaller companies may trade less frequently and in less volume than more widely held securities, and their values may fluctuate more sharply than other securities. Companies with medium-sized market capitalizations may have risks similar to those of smaller companies.

Country Risk. Investments in securities of non-U.S. issuers (including those denominated in U.S. dollars) involve certain risks not typically associated with investments in domestic issuers. For example, the value of those investments may decline in response to unfavorable political and legal developments, unreliable or untimely information, or economic and financial instability. Settlement procedures outside the U.S. may also involve additional risks. The risks described in this paragraph will be greater to the extent the Fund invests in securities of issuers based in developing or "emerging market" countries.

Prepayment Risk. Many fixed income securities, especially those issued at high interest rates, provide that the issuer may repay them early. Issuers often exercise this right when interest rates decline. Accordingly, holders of securities that may be called or prepaid may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, the Fund reinvests the proceeds of the payoff at current yields, which are lower than those paid by the security that was paid off.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund reinvests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the common shares' market price or their overall returns.

Derivatives Risk. The Fund may invest in a variety of derivative instruments for investment or risk management purposes, such as options, futures contracts and swaps. Derivatives are subject to a number of risks described elsewhere in this prospectus, such as interest rate risk, leverage risk and management risk. The Fund will be subject to credit risk with respect to the counterparties to the derivatives contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivatives contract, the Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Derivative transactions also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. Suitable derivative transactions may not be available in all circumstances, and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial or that these transactions will be successful.

Inflation/Deflation Risk. Inflation risk is the risk that the Fund's assets or income from the Fund's investments may be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Fund's portfolio could decline. Inflation risk is expected to be greater with respect to the Fund's investments in securities or instruments other than U.S. TIPS. Deflation risk is the risk that prices throughout the economy may decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio. Because the principal amounts of U.S. TIPS would be adjusted downward during a period of deflation, the Fund will be subject to deflation risk with respect to its investments in such securities.

Turnover Risk. The length of time the Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Fund is known as "portfolio turnover." As a result of the Fund's investment policies, under certain market conditions the Fund's turnover rate may be higher than that of other investment companies. Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. These transactions may result in realization of taxable capital gains. Higher portfolio turnover rates, such as those above 100%, are likely to result in higher brokerage commissions or other transaction costs and could give rise to a greater amount of taxable capital gains.

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

Anti-Takeover Provisions. The Fund's Agreement and Declaration of Trust includes provisions that could limit the ability of other entities or persons to acquire control of the Fund, convert the Fund to open-end status or change the composition of the Board of Trustees. See "Anti-Takeover and Other Provisions in the Declaration of Trust." These provisions could have the effect of depriving Common Shareholders of opportunities to sell their common shares at a premium over the then current market price of the common shares.

Market Disruption and Geopolitical Risks. The war with Iraq, its aftermath and the continuing occupation of the country by coalition forces are likely to have a substantial impact on the U.S. and world economies and securities markets. The duration and nature of the war and occupation and the potential costs of rebuilding the Iraqi infrastructure and political systems cannot be predicted with any certainty. Terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 closed some of the U.S. securities markets for a four-day period, and the occurrence of similar events cannot be ruled out. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation, deflation and other factors relating to the common shares.

Certain Affiliations. Certain broker-dealers may be considered to be affiliated persons of the Fund and/or Western Asset. Absent an exemption from the Securities and Exchange Commission or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker or to utilize affiliated brokers for agency transactions is subject to regulatory and other restrictions. This could limit the Fund's ability to engage in securities transactions and take advantage of market opportunities.

SUMMARY OF FUND EXPENSES

The following table and the expenses shown below assume the use of leverage, through the issuance of preferred shares representing 33% of total managed assets of the Fund and the use of reverse repurchase agreements representing 5% of total managed assets of the Fund, for an aggregate amount of leverage equal to 38% of the Fund's total managed assets (in each case measured after the issuance of such leverage), and show the Fund expenses as a percentage of net assets attributable to common shares. Footnote 3 to the table also shows Fund expenses as a percentage of net assets attributable to common shares, but assumes that no preferred shares or reverse repurchase agreements are issued or outstanding.

Shareholder Transaction Expenses	
Sales load (as a percentage of offering price)	4.50%
Offering expenses borne by the Fund (as a percentage of offering price)	.20%(1)
Dividend reinvestment plan fees	None(2)

	Percentage of Net Assets Attributable to Common Shares (Assuming the Issuance of Preferred Shares and Reverse Repurchase Agreements)(3)(4)
Annual Expenses	
Management fees	.65%
Interest payments on reverse repurchase agreements(5)	.08%
Other expenses	.48%
Total annual expenses	1.21%

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(1) Western Asset and Claymore Securities, Inc. have agreed to (i) pay the amount by which the Fund's offering costs (other than the sales load, but including a $.005 per common share reimbursement of expenses to the underwriters) exceed $.03 per common share (.20% of the offering price) and (ii) reimburse all of the Fund's organizational expenses.

(2) A Common Shareholder that directs the plan agent to sell common shares held in a dividend reinvestment account will pay brokerage charges.

(3) The table presented below in this footnote estimates what the Fund's annual expenses would be stated as percentages of the Fund's net assets attributable to common shares but, unlike the table above, assumes that no preferred shares or reverse repurchase agreements are issued or outstanding. In accordance with these assumptions, the Fund's expenses would be estimated as follows:

	Percentage of Net Assets Attributable to Common Shares (Assuming No Preferred Shares or Reverse Repurchase Agreements Are Issued or Outstanding)
Annual Expenses	
Management fees	.40%
Other expenses	.30%
Total annual expenses	.70%

(4) If the Fund offers preferred shares, costs of that offering, estimated to be approximately 1.0% of the total dollar amount of the preferred share offering, will be borne immediately by Common Shareholders and result in a reduction of the net asset value of the common shares. Assuming the issuance of preferred shares in an amount equal to 33% of the Fund's total managed assets (after their issuance) and that the Fund issues 25,250,000 common shares, these offering costs are estimated to be $1,921,179, or $.08 per common share (.51% of the offering price of the common shares). These offering costs are not included among the expenses shown in this table.

(5) This amount reflects interest rate payments on reverse repurchase agreements representing 5% of the Fund's total managed assets. The use of reverse repurchase agreements beyond this amount, for example, as a substitute for preferred shares during the period before their issuance, would cause this estimate to increase accordingly. The amount shown in the table assumes an interest rate of 1.55%. The interest rate costs of any reverse repurchase agreements will vary over time based on market conditions.

The purpose of the table above is to help investors understand all fees and expenses that a Common Shareholder would bear directly or indirectly. The Other Expenses shown in the table and related footnote are based on estimated amounts for the Fund's current fiscal year (calculated on an annualized basis) and assume that the Fund issues approximately 25,250,000 common shares. If the Fund issues fewer common shares, all other things being equal, these expenses as a percentage of net assets will increase. See "Management of the Fund" and "Dividend Reinvestment Plan."

The following example illustrates the expenses (including the sales load of $45, estimated offering expenses of this offering of $2 and the estimated costs of issuing preferred shares, assuming the Fund issues preferred shares representing 33% of the Fund's total managed assets (after their issuance), of $5.07) that a Common Shareholder would pay on a $1,000 investment in common shares, assuming (1) total annual expenses of 1.21% of net assets attributable to common shares (assuming the issuance of preferred shares and the use of reverse repurchase agreements), and (2) a 5% annual return:*

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred	$63	$85	$110	$180

* **The example above should not be considered a representation of future expenses. Actual expenses may be greater or less than those assumed.** The example assumes that the estimated "Other Expenses" set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at net asset value. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% annual return shown in the example.

THE FUND

The Fund is a newly organized, diversified, closed-end management investment company registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended (the "1940 Act"). The Fund was organized as a Massachusetts business trust on July 14, 2003 pursuant to an Agreement and Declaration of Trust (as amended, the "Declaration"), which is governed by the laws of The Commonwealth of Massachusetts. As a newly organized entity, the Fund has no operating history. The Fund's principal office is located at 117 East Colorado Boulevard, Pasadena, California 91105, and its telephone number is (626) 844-9400.

USE OF PROCEEDS

The net proceeds of the offering of common shares will be approximately $360,948,750 (or $415,091,063 if the underwriters exercise the overallotment option in full) after payment of the sales load and estimated offering costs paid by the Fund. The Fund will invest the net proceeds of the offering in accordance with the Fund's investment objectives and policies as stated below. It is presently anticipated that the Fund will be able to invest substantially all of the net proceeds in U.S. TIPS and other investments that meet its investment objectives and policies within three months after the completion of the offering. Pending such investment, it is anticipated that the proceeds will be invested in short-term investment grade securities.

THE FUND'S OBJECTIVES, STRATEGIES AND INVESTMENTS

Investment Objectives

The Fund's primary investment objective is to provide current income. Capital appreciation, when consistent with current income, is a secondary investment objective. No assurance can be given that the Fund will achieve its investment objectives.

Portfolio Contents and Management Strategies

General. Under normal market conditions, the Fund will invest at least 80% of its total managed assets in U.S. TIPS. U.S. TIPS are fixed income securities issued by the U.S. Department of the Treasury, the principal amounts of which are adjusted daily based upon changes in the rate of inflation (currently represented by the non-seasonally adjusted Consumer Price Index for All Urban Consumers, calculated with a three-month lag). The Fund may invest up to 20% of its total managed assets in corporate bonds or other securities and instruments. The Fund will invest primarily in bonds that, in the opinion of Western Asset, provide current income and, when consistent with current income, may have the potential for capital appreciation. When consistent with the Fund's investment objectives, Western Asset may, but is not required to, use a variety of derivative instruments for risk management purposes or as part of its investment strategies. See "Derivatives" below.

The Fund currently anticipates leveraging its portfolio by issuing preferred shares in an aggregate amount of approximately 33% of its total managed assets. In addition, the Fund expects to enter into reverse repurchase agreements and/or dollar roll transactions for leveraging purposes, initially as a substitute for all or a portion of the preferred shares it plans to issue during the period prior to their issuance and thereafter, to the extent determined by Western Asset, up to 38% of total managed assets (together with other forms of leverage). The Fund also currently expects to use short sales, futures contracts, options, credit default swaps and other investment techniques that may in certain circumstances be considered leverage. The Fund may (but is not required to) cover its commitments under these transactions by the segregation of liquid assets or by entering into offsetting transactions or owning positions covering its obligations. To the extent these transactions are so covered, investment in these transactions will not be considered leverage for purposes of the Fund's policy on the amount of leverage it may incur. However, such transactions, even if so covered, represent a form of economic leverage (although they will not be considered "leverage" for purposes of calculating total managed assets), and thus entail special risks. See "Risks—Leverage Risk." While the Fund does not currently anticipate borrowing funds from banks or other financial institutions in order to leverage its portfolio, it may do so in the future.

Upon Western Asset's recommendation, during temporary defensive periods (including the period during which the net proceeds of this offering or of the offering of the preferred shares are being invested) and in order to keep the Fund's cash fully invested, the Fund may invest up to 100% of its total managed assets in short-term investments, including, but not limited to, U.S. government securities, certificates of deposit, bankers' acceptances, commercial paper and repurchase agreements. Such periods will not be considered "normal market conditions" for purposes of the 80% test described above. The Fund may not achieve its investment objectives under these circumstances.

The Fund may borrow money in an amount up to 5% of its total assets as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions that otherwise might require untimely dispositions of Fund securities. Such borrowings are not considered leverage for purposes of the Fund's policy on the amount of leverage it may incur.

The Fund cannot change its investment objectives without the approval of the holders of a "majority of the outstanding" common shares and, if any preferred shares are issued, the preferred shares voting together as a single class. In addition, the holders of a "majority of the outstanding" preferred shares voting separately as a class would have to approve any change in the Fund's investment objectives. Under the 1940 Act, a "majority of the outstanding" shares (whether voting together as a single class or voting as a separate class) means (1) 67% or more of the outstanding shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (2) more than 50% of the outstanding shares, whichever is less. See "Description of Shares—Preferred Shares—Voting Rights" and the Statement of Additional Information under "Description of Shares—Preferred Shares" for additional information with respect to the voting rights of holders of preferred shares.

So long as and to the extent it is required by applicable law, the Fund will not change its policy to invest, under normal market conditions, at least 80% of its total managed assets in U.S. TIPS unless it provides shareholders with at least 60 days' written notice of such change.

Credit Quality. The Fund will not invest in bonds that are below investment grade quality at the time of purchase. Investment grade quality bonds are bonds rated within a rating agency's four highest grades (Baa or BBB or higher by Moody's, S&P or Fitch or a similar rating of another nationally recognized rating agency) or bonds that are unrated but judged to be of comparable quality by Western Asset. If a bond is rated differently by two or more nationally recognized rating agencies, Western Asset may rely on the higher rating if it believes that rating to be more accurate. The Fund expects that the initial dollar-weighted credit quality of its bond portfolio (upon full investment of the proceeds of the offering) will be AA, and that, under normal market conditions, substantially all of the Fund's assets will be of investment grade quality. However, the portfolio's credit quality will vary from time to time. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity for bonds that are graded Baa or BBB (or that are of comparable quality) to make principal and interest payments than is the case for higher quality bonds. Although the Fund will not invest in bonds that are below investment grade quality at the time of purchase, the Fund is not required to dispose of a security if a rating agency or Western Asset downgrades its assessment of the credit characteristics of a particular issue. As a result, the Fund may from time to time hold bonds of below investment grade quality. As described under "Risks—Lower Grade and Unrated Securities Risk," bonds of below investment grade quality are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal and are commonly referred to as "junk bonds." The Fund may purchase unrated securities (which are not rated by a rating agency) if Western Asset determines that the securities are of a quality comparable to rated securities that the Fund may purchase.

The Fund's credit quality policies depend in part on credit ratings developed by rating agencies such as Moody's, S&P and Fitch. Rating agencies are private services that provide ratings of the credit quality of debt obligations, including convertible securities. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. The ratings of a debt security may change over time. Rating agencies monitor and evaluate the ratings assigned to securities on an ongoing basis. As a result, rated debt instruments held by the Fund could receive a higher rating (which would tend to increase their value) or a lower rating (which would tend to decrease their value) during the period in which they are held. See "Risks—Lower Grade and Unrated Securities Risk."

The credit quality policies described in this prospectus and the Statement of Additional Information apply only at the time a security is purchased, and, as noted above, the Fund is not required to dispose of a security if a rating agency or Western Asset downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, Western Asset may consider such factors as its assessment of the credit quality of the issuer of the security, the price at which the security could be sold and the rating, if any, assigned to the security by other rating agencies. For purposes of the Fund's credit quality policies, the Fund will consider a bond that has been assigned any rating by a rating agency within the category Baa/BBB to be rated Baa/BBB grade by such rating agency (*e.g.*, a bond rated BBB- will be considered to be a bond graded BBB). Appendix A to the Statement of Additional Information contains a general description of Moody's, S&P's and Fitch's ratings of debt securities.

Duration. As part of the management of the Fund, Western Asset will manage the effective duration of the Fund's portfolio. The Fund currently expects that the average effective duration of its portfolio will range between zero and 15 years, although this target duration may change from time to time. Effective duration measures the expected sensitivity of market price to changes in interest rates, taking into account the effects of structural complexities. Each year of duration represents an expected 1% change in the price of a bond for every 1% change in interest rates. For example, if a bond has a duration of four years, its price will fall about 4% when interest rates rise by 1%. Conversely, the bond's price will rise about 4% when interest rates fall by 1%.

Investments

U.S. TIPS. Under normal market conditions, the Fund will invest at least 80% of its total managed assets in U.S. TIPS. U.S. TIPS are fixed income securities issued by the U.S. Department of the Treasury, the principal amounts of which are adjusted daily based upon changes in the rate of inflation (currently represented by the non-seasonally adjusted Consumer Price Index for All Urban Consumers, calculated with a three-month lag).

The U.S. Treasury currently issues U.S. TIPS in only ten-year maturities, although it is possible that U.S. TIPS with other maturities will be issued in the future. U.S. TIPS have previously been issued with maturities of five, ten or thirty years. U.S. TIPS pay interest on a semi-annual basis, equal to a fixed percentage of the inflation-adjusted principal amount. The interest rate on these bonds is fixed at issuance, but over the life of the bond, this interest may be paid on an increasing or decreasing principal value that has been adjusted for inflation. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed even during a period of deflation. However, because the principal amount of U.S. TIPS would be adjusted downward during a period of deflation, the Fund will be subject to deflation risk with respect to its investments in these securities. In addition, the current market value of the bonds is not guaranteed, and will fluctuate. If the Fund purchases U.S. TIPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Fund may experience a loss if there is a subsequent period of deflation. If inflation is lower than expected during the period the Fund holds a U.S. TIPS, the Fund may earn less on the security than on a conventional bond.

Investing in U.S. TIPS involves certain risks. See "Risks—Risks Relating to U.S. TIPS." The Fund may invest in inflation-protected securities with other structures or characteristics as such securities become available in the market. It is currently expected that other types of inflation-protected securities would have characteristics similar to those described above.

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

Corporate Bonds. The Fund may invest in corporate bonds. The investment return of corporate bonds reflects interest on the security and changes in the market value of the security. The market value of a corporate bond generally may be expected to rise and fall inversely with interest rates, and may also be affected by the credit rating of the corporation, the corporation's performance, perceptions of the corporation in the marketplace and general market liquidity. The value of the intermediate- and longer-term corporate bonds in which the Fund generally will invest normally fluctuates more in response to changes in interest rates than does the value of shorter-term corporate bonds. There is a risk that the issuers of corporate bonds may not be able to meet their obligations on interest or principal payments at the time called for by a bond.

Reverse Repurchase Agreements and Dollar Roll Transactions. A reverse repurchase agreement is a portfolio management technique in which the Fund temporarily transfers possession of a portfolio instrument to another person, such as a financial institution or broker-dealer, in return for cash, which the Fund then uses to purchase additional investments. At the same time, the Fund agrees to repurchase the instrument at an agreed upon time (normally within seven days) and price, including an interest payment. While engaging in reverse repurchase agreements, the Fund may maintain cash or securities in a segregated account or may otherwise enter into positions that would cover such obligations. To the extent assets are segregated or the Fund's obligation is otherwise "covered" (as described in "Preferred Shares and Other Leverage—Other Forms of Leverage"), these instruments will not be considered leverage for purposes of the 1940 Act, and thus will not be subject to the 300% asset coverage test described under "Preferred Shares and Other Leverage." However, the Fund considers such instruments to be leverage for purposes of its policy on the amount of leverage it may incur. Under current market conditions, the Fund currently expects to engage in reverse repurchase agreements and dollar roll transaction during the period prior to the issuance of any preferred shares, as a substitute form of leverage for all or a portion of such preferred shares. Reverse repurchase agreements may expose the Fund to greater fluctuations in the value of its assets and render the segregated assets unavailable for sale or other disposition.

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

The obligation to purchase securities on a specified future date involves the risk that the market value of the securities that the Fund is obligated to purchase may decline below the purchase price. In addition, in the event the other party to the transaction files for bankruptcy, becomes insolvent or defaults on its obligation, the Fund may be adversely affected. In addition, the interest costs associated with reverse repurchase agreements and dollar roll transactions will reduce the Fund's net asset value and could, in some circumstances, leave the Fund worse off than if it had not used such instruments. For purposes of calculating the Fund's total managed assets, any liability associated with reverse repurchase agreements or dollar roll transactions will not be taken into account.

Short Sales. A short sale is a transaction in which the Fund sells an instrument that it does not own in anticipation that the market price will decline. The Fund may use short sales for investment and risk management purposes. When the Fund engages in a short sale, it must borrow the security sold short and deliver it to the counterparty. The Fund may have to pay a fee to borrow particular securities and would often be obligated to pay over any payments received on such borrowed securities. The Fund's obligation to replace the borrowed security will be secured by collateral deposited with the lender, which is usually a broker-dealer, and/or with the Fund's custodian. The Fund may not receive any payments (including interest) on its collateral. Short sales expose the Fund to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Fund. Although it does not currently expect to do so under normal market conditions, the Fund may engage in so-called "naked" short sales where it does not own or have the immediate right to acquire the security sold short at no additional cost, in which case the Fund's losses could be unlimited.

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

For hedging purposes, the Fund may also purchase credit default swaps, in which case it would make periodic payments to the counterparty in exchange for the right to receive the notional value of the underlying debt obligation in the event of a default. The Fund may (but is not required to) cover any accrued but unpaid net amounts owed to a swap counterparty through the segregation of liquid assets. To the extent assets are segregated, these transactions will not be considered leverage for purposes of the Fund's policy on the amount of leverage it may incur.

Loans of Portfolio Securities. The Fund may lend its portfolio securities in order to earn income. The Fund will receive collateral in cash or high quality securities at least equal to the current value of the loaned securities. The Fund earns interest on the securities it lends and income when it invests the collateral for the loaned securities. These loans will be limited to 33 1/3% of the value of the Fund's total assets.

Derivatives. The Fund may, but is not required to, use a variety of derivative instruments for risk management purposes or as part of its investment strategies. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and often may relate to individual debt instruments, interest rates, commodities and related indexes. Examples of derivative instruments that the Fund may use include options contracts, futures contracts, options on futures contracts, warrants and swaps. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investment directly in securities and other more traditional investments. See "Risks—Derivatives Risk."

When-issued, Delayed Delivery and Forward Commitment Transactions. The Fund may buy and sell bonds on a when-issued, delayed delivery or forward commitment basis, with settlement occurring at a later date, normally within 45 days of the trade date. These transactions involve risk because no interest accrues on the bonds prior to settlement and because the value of the bonds at time of delivery may be less (or more, in the case of a sale by the Fund) than cost (or the agreed upon price). When such transactions are outstanding, the Fund may segregate until the settlement date assets determined to be liquid by Western Asset in an amount sufficient to meet its obligations. To the extent assets are segregated, these transactions will not be considered leverage for purposes of the Fund's policy on the amount of leverage it may incur.

Preferred Stock. The Fund may invest in preferred stock. Preferred stock pays dividends at a specified rate and has preference over common stock in the payment of dividends and the liquidation of an issuer's assets but is junior to the debt securities of the issuer in those same respects. The market prices of preferred stocks are subject to changes in interest rates and are more sensitive to changes in an issuer's creditworthiness than are the prices of debt securities. Holders of preferred stock may also suffer a loss of value if dividends are not paid. Under ordinary circumstances, preferred stock does not carry voting rights.

Structured Notes and Related Instruments. The Fund may invest in "structured" notes and other related instruments, which are privately negotiated debt obligations the principal and/or interest of which is determined by reference to the performance of a benchmark asset or market (an "embedded index"), such as selected securities or an index of securities, or the differential performance of two assets or markets, such as indices reflecting bonds. Structured instruments may be issued by corporations and banks as well as by governmental agencies. Structured instruments frequently are assembled in the form of medium-term notes, but a variety of forms are available and may be used in particular circumstances. The terms of such structured instruments normally provide that their principal and/or interest payments are to be adjusted upwards or downwards (but ordinarily not below zero) to reflect changes in the embedded index while the structured instruments are outstanding. As a result, the interest and/or principal payments that may be made on a structured product may vary widely, depending on a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal and/or interest payments. Western Asset may utilize structured instruments for investment purposes and also for risk management purposes, such as to reduce the duration and interest rate sensitivity of the Fund's portfolio.

While structured instruments may offer the potential for a favorable rate of return from time to time, they also entail certain risks. Structured instruments may be less liquid than other debt securities, and the price of structured instruments may be more volatile. In some cases, depending on the terms of the embedded index, a structured instrument may provide that the principal and/or interest payments may be adjusted below zero. Structured investments may also involve significant credit risk and risk of default by the counterparty. Although structured instruments are not necessarily illiquid, Western Asset believes that most structured instruments are illiquid. Like other sophisticated strategies, the Fund's use of structured instruments may not work as intended. If the value of the embedded index changes in a manner other than that expected by Western Asset, principal and/or interest payments received on the structured instrument may be substantially less than expected. In addition, if Western Asset uses structured instruments to reduce the duration of the Fund's portfolio, this may limit the Fund's return when having a longer duration would be beneficial (for instance, when interest rates decline).

Other Investment Companies. The Fund may invest in securities of other closed-end or open-end investment companies that invest primarily in bonds or other securities and instruments of the types in which the Fund may invest directly. The Fund may invest in other investment companies during periods when it has large amounts of uninvested cash, such as the period shortly after the Fund receives the proceeds of the offering of its common shares or preferred shares, during periods when there is a shortage of attractive bonds available in the market, or when Western Asset believes share prices of other investment companies offer attractive values. The Fund may invest in investment companies that are advised by Western Asset or its affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the Securities and Exchange Commission. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's management fees and other expenses with respect to assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. Western Asset will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available bond investments. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks described herein. As described in the sections entitled "Risks—Leverage Risk" and "Preferred Shares and Other Leverage," the net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares. Other investment companies may have investment policies that differ from those of the Fund. In addition, to the extent the Fund invests in other investment companies, the Fund will be dependent upon the investment and research abilities of persons other than Western Asset. For purposes of the Fund's investment policies, an investment in such investment companies will be (1) treated as an investment in U.S. TIPS (to the extent the underlying investment company invests under normal market conditions at least 80% of its total assets in U.S. TIPS) and (2) assigned a credit rating deemed appropriate by Western Asset.

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

PREFERRED SHARES AND OTHER LEVERAGE

Preferred Shares

Under current market conditions, the Fund anticipates that it will offer preferred shares, within one to three months of the completion of this offering, representing approximately 33% of the Fund's total managed assets, measured immediately after the issuance of the preferred shares. There is no assurance that the Fund will issue preferred shares.

If issued, the preferred shares would have complete priority upon distribution of assets over the common shares. The issuance of preferred shares will leverage the common shares. The use of leverage involves special risks, and there is no assurance that the Fund's leveraging strategy will be successful. Although the timing and other terms of the offering of the preferred shares will be determined by the Fund's Board of Trustees, the Fund expects to invest the net proceeds of the preferred shares in intermediate- to longer-term bonds and other instruments in accordance with the Fund's investment objectives and policies. The preferred shares will pay dividends based on shorter-term rates (which would be redetermined periodically by an auction or similar process). So long as the Fund's portfolio is invested in securities that provide a higher rate of return than the dividend rate of the preferred shares (after taking expenses into consideration), the issuance of preferred shares will allow Common Shareholders to receive a higher current rate of return than if the Fund were not so leveraged.

Changes in the value of the Fund's portfolio (including investments bought with the proceeds of the preferred shares offering) will be borne entirely by the Common Shareholders. If there is a net decrease (or increase) in the value of the Fund's investment portfolio, the leverage will decrease (or increase) the net asset value per common share to a greater extent than if the Fund were not leveraged. During periods in which the Fund is using leverage, the fees paid to Western Asset and to Claymore Securities, Inc. as shareholder servicing agent will be higher than if the Fund did not use leverage because the fees paid will be calculated on the basis of the Fund's average weekly assets, including the proceeds from the issuance of preferred shares or other leverage. See "Risks—Leverage Risk" and "Management of the Fund—Investment Advisor" and "Servicing Agent." In addition, fees and expenses paid by the Fund are borne entirely by the Common Shareholders (and not by the holders of preferred shares, if any). These include costs associated with any offering of preferred shares by the Fund (which costs are estimated to be approximately 1.0% of the total dollar amount of a preferred share offering), which will be borne immediately by the Common Shareholders (as will the costs associated with any borrowings or other forms of leverage utilized by the Fund) and result in a reduction of the net asset value of the common shares.

Under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance the Fund meets the applicable asset coverage requirements of the 1940 Act (the "1940 Act Asset Coverage Test"). This test requires that the value of the Fund's total assets, less all liabilities and indebtedness not representing senior securities (as defined in the 1940 Act), be at least 200% of the liquidation value of the outstanding preferred shares and the amount of certain other outstanding forms of leverage. "Liquidation value" means the original purchase price of the shares being liquidated plus any accrued and unpaid dividends. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the 1940 Act Asset Coverage Test is satisfied. If preferred shares are issued, the Fund intends, to the extent possible, to purchase or redeem preferred shares from time to time to the extent necessary in order to meet the 1940 Act Asset Coverage Test. If the Fund has preferred shares outstanding, two of the Fund's Trustees will be elected by the holders of preferred shares, voting separately as a class. The remaining Trustees of the Fund will be elected by holders of common shares and preferred shares voting together as a single class. In the unlikely event that the Fund fails to pay dividends on preferred shares for two years, holders of the preferred shares would be entitled to elect a majority of the Trustees of the Fund.

The Fund may be subject to certain restrictions imposed by guidelines of one or more rating agencies that may issue a rating or ratings for preferred shares issued by the Fund. These guidelines may impose asset coverage and portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act or the Fund's own policies. Such guidelines could limit the Fund's investment flexibility and affect the return on the common shares. However, it is not currently anticipated that these covenants or guidelines will significantly impede Western Asset from managing the Fund's portfolio in accordance with the Fund's investment objectives.

Effects of Leverage

Assuming that the Fund issues preferred shares and enters into reverse repurchase agreements equal to 38% of the Fund's total managed assets and that the average annual preferred share dividend rate and reverse repurchase agreement interest rate are 1.55%, the income generated by the Fund's portfolio (net of estimated expenses) must exceed .59% in order to cover the dividend payments on the preferred shares and interest payments on the reverse repurchase agreements. Of course, these numbers are merely estimates used for illustration. Actual preferred share dividend rates and reverse repurchase agreement interest rates will vary frequently and may be significantly higher or lower than the rate estimated above.

The following table is designed to illustrate the effect of leverage on common share total return, assuming investment portfolio total returns (consisting of income and changes in the value of investments held in the Fund's portfolio) of -10%, -5%, 0%, 5% and 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by the Fund. The table further reflects the issuance of preferred shares and the use of reverse repurchase agreements representing in the aggregate 38% of the Fund's total managed assets and the Fund's currently projected annual preferred share dividend rate and reverse repurchase agreement interest rate of 1.55%.

Assumed Portfolio Total Return (Net of Expenses)	(10.00)%	(5.00)%	0 %	5.00%	10.00%
Common Share Total Return	(17.08)%	(9.01)%	(.95)%	7.11%	15.18%

Common share total return is composed of two elements—the common share dividends paid by the Fund (the amount of which is largely determined by the net investment income of the Fund after paying dividends on preferred shares) and gains or losses on the value of the securities the Fund owns. As required by Securities and Exchange Commission rules, the preceding table assumes that the Fund is more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0%, the Fund must assume that the net investment income it receives on its investments is entirely offset by losses in the value of those investments. This table reflects the performance of the Fund's portfolio and not the performance of the Fund's common shares, the value of which will be determined by market forces and other factors.

Other Forms of Leverage

In addition to the issuance of preferred shares, the Fund may use a variety of other strategies to leverage its portfolio. The Fund currently expects to use reverse repurchase agreements, short sales, options, futures contracts, credit default swaps, dollar rolls and/or other investment techniques for these purposes. The Fund may (but is not required to) cover its commitments under these instruments by the segregation of liquid assets or by entering into offsetting transactions or owning positions covering its obligations. To the extent these instruments are so covered, (1) they will not be considered "senior securities" under the 1940 Act and therefore will not be subject to the 300% asset coverage requirement otherwise applicable to forms of leverage other than preferred shares issued by the Fund (see below) and (2) investments in these instruments (other than reverse repurchase agreements and dollar roll transactions) will not be considered leverage for purposes of the Fund's policy on the amount of leverage it may incur or considered "leverage" for purposes of total managed assets. The Fund's use of preferred shares, reverse repurchase agreements or dollar roll transactions (whether or not covered) and other forms of leverage will not exceed 38% of its total managed assets, measured immediately after the issuance of the leverage. Although the Fund does not currently intend to borrow from banks or other financial institutions or issue commercial paper in order to leverage its portfolio, it may do so in the future. By adding additional leverage, these strategies have the potential to increase returns to Common Shareholders, but also involve additional risks, including those leverage risks described above with respect to preferred shares. Additional leverage will increase the volatility of the Fund's investment portfolio and could result in larger losses than if the strategies were not used.

Under the 1940 Act, the Fund generally is not permitted to engage in most forms of leverage other than preferred shares (including through the use of bank borrowings, the issuance of commercial paper or the use of reverse repurchase agreements, credit default swaps, dollar roll transactions and other derivatives to the extent that these instruments are not covered) unless immediately after the issuance of the leverage the Fund has satisfied the asset coverage test with respect to indebtedness prescribed by the 1940 Act, *i.e.*, the value of the Fund's total assets less liabilities (other than the leverage and other senior securities) is at least 300% of the principal amount of such leverage. In addition, the Fund is not permitted to declare any cash dividend or other distribution on common shares unless, at the time of such declaration, such asset coverage test is satisfied. If the Fund borrows, it intends, to the extent possible, to prepay a portion of the principal amount of the borrowing to the extent necessary in order to maintain the required asset coverage. Failure to maintain certain asset coverage requirements could result in an event of default.

RISKS

No Operating History

The Fund is a newly organized, diversified, closed-end management investment company with no operating history.

Investment Risk

An investment in the Fund is subject to investment risk, including the possible loss of the entire amount that you invest.

Market Discount Risk

Shares of closed-end management investment companies frequently trade at a discount from their net asset value, and the Fund's shares may trade at a price that is less than the initial offering price. Net asset value will be reduced immediately following the initial offering by a 4.5% sales load charge and offering costs paid by the Fund. The risk of investing in a newly organized, closed-end investment company may be greater for investors who sell their shares in a relatively short period of time after completion of the initial offering. The common shares are designed for long-term investors and should not be treated as trading vehicles.

Interest Rate Risk

Interest rate risk is the risk that bonds (and the Fund's total managed assets) will change in value because of changes in interest rates. This is true of all bonds, including U.S. TIPS. Generally, bonds will decrease in value when interest rates rise and increase in value when interest rates decline. This means that the net asset value of the Fund will fluctuate with interest rate changes and the corresponding changes in the value of the Fund's bond holdings. Because market interest rates are currently near their lowest levels in many years, there is a greater risk that the Fund's portfolio will decline in value. The value of the intermediate- and longer-term bonds in which the Fund generally will invest normally fluctuates more in response to changes in interest rates than does the value of shorter-term bonds. Because the Fund will invest primarily in intermediate-to-longer-term bonds, the common share net asset value and market price per share will fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term bonds. The Fund's use of leverage will increase common share interest rate risk. See "—Leverage Risk."

The Fund may utilize certain strategies, including swaps, futures contracts, options on futures and options based on U.S. Treasury securities, for the purpose of reducing the interest rate sensitivity of the portfolio, although there is no assurance that it will do so or that such strategies will be successful. See "How the Fund Manages Risk—Hedging and Related Strategies."

Risks Relating to U.S. TIPS

The value of inflation-protected securities such as U.S. TIPS generally fluctuates in response to changes in real interest rates, which are in turn tied to the relationship between nominal interest rates and the rate of inflation. Therefore, if inflation were to rise at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of U.S. TIPS. In contrast, if nominal interest rates increased at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of U.S. TIPS. Although the principal value of U.S. TIPS declines in periods of deflation, holders at maturity receive no less than the par value of the bond. However, if the Fund purchases U.S. TIPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Fund may experience a loss if there is a subsequent period of deflation. If inflation is lower than expected during the period the Fund holds a U.S. TIPS, the Fund may earn less on the security than on a conventional bond.

Any increase in principal value caused by an increase in the index (described below) is taxable in the year the increase occurs, even though the Fund will not receive cash representing the increase at that time. As a result, the Fund could be required at times to liquidate other investments, including when it is not advantageous to do so, in order to satisfy its distribution requirements as a regulated investment company under the Code. See "Tax Matters."

If real interest rates rise (*i.e.*, if interest rates rise for reasons other than inflation (for example, due to changes in currency exchange rates)), the value of the U.S. TIPS in the Fund's portfolio will decline. Moreover, because the principal amount of U.S. TIPS would be adjusted downward during a period of deflation, the Fund will be subject to deflation risk with respect to its investments in these securities.

The daily adjustment of the principal value of U.S. TIPS is currently tied to the non-seasonally adjusted Consumer Price Index for All Urban Consumers, which is calculated monthly by the U.S. Bureau of Labor Statistics. The Consumer Price Index for All Urban Consumers, which is calculated using a three-month lag for purposes of determining the principal value of U.S. TIPS, is a measurement of changes in the cost of living, made up of components such as housing, food, transportation and energy. There can no assurance that such index will accurately measure the real rate of inflation in the prices of goods and services. The three-month lag in the calculation of the Consumer Price Index for All Urban Consumers could have a negative impact on the value of U.S. TIPS under certain market conditions.

The U.S. Treasury only began issuing inflation-protected securities in 1997, and the market for such securities may be less developed or liquid, and more volatile, than certain other securities markets as a result. The U.S. Treasury currently issues U.S. TIPS in only ten-year maturities, although U.S. TIPS with different maturities have been issued in the past and may be issued in the future.

Credit Risk

Credit risk is the risk that the Fund could lose money if the issuer of a debt obligation, or the counterparty to a derivatives contract, reverse repurchase agreement, loan of portfolio securities or similar transaction, is unable or unwilling to make timely principal and/or interest payments, or otherwise to honor its obligations. In addition, a bond held by the Fund could decline in price because the issuer of the bond experiences or is perceived to experience a decline in its financial status.

Not all U.S. government securities are backed by the full faith and credit of the United States. Some securities, such as securities issued by Freddie Mac, are backed only by the credit of the issuing agency or instrumentality. Accordingly, credit risk exists with respect to these securities.

Lower Grade and Unrated Securities Risk

Although the Fund will not invest in bonds that are below investment grade quality at the time of purchase, the Fund is not required to dispose of a security if a rating agency or Western Asset downgrades its assessment of the credit characteristics of a particular issue. As a result, the Fund may from time to time hold bonds of below investment grade quality. Holding lower grade securities involves special risks in addition to the risks associated with investments in investment grade debt obligations. While offering a greater potential opportunity for capital appreciation and higher yields, lower grade securities typically entail greater potential price volatility and may be less liquid than higher-rated securities. Lower grade securities are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal and are commonly referred to as "junk bonds." These securities may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Debt securities in the lowest investment grade category may also be considered to possess some speculative characteristics.

The market values of lower grade securities tend to reflect individual developments of the issuer to a greater extent than do higher-quality securities, which tend to react mainly to fluctuations in the general level of interest rates. Certain emerging market governments that issue lower grade securities are among the largest debtors to commercial banks, governments and supra-national organizations such as the World Bank, and may not be able or willing to make principal and/or interest payments as they come due.

Unrated securities may be less liquid than comparable rated securities and involve the risk that Western Asset may not accurately evaluate the security's comparative credit rating. Analysis of the creditworthiness of issuers of lower grade securities may be more complex than for issuers of higher-quality debt obligations. To the extent that the Fund holds lower grade and/or unrated securities, the Fund's success in achieving its investment objectives may depend more heavily on Western Asset's credit analysis than if the Fund held exclusively higher-quality and rated securities.

Leverage Risk

The use of leverage—through the issuance of preferred shares and borrowing of money and, under certain circumstances, reverse repurchase agreements, short sales, futures contracts, credit default swaps, dollar roll transactions and other investment techniques (see "Preferred Shares and Other Leverage—Other Forms of Leverage")—to purchase additional investments creates an opportunity for increased common share net investment income dividends, but also creates special risks for Common Shareholders. Leverage is a speculative technique that will expose the Fund to greater risk and increased costs. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage. As a result, leverage may cause greater changes in the Fund's net asset value. The Fund will also have to pay dividends with respect to preferred shares and/or interest with respect to other forms of leverage, which may reduce the Fund's return, and this dividend and interest expense may be greater than the Fund's return on the underlying investment. There is no assurance that the Fund's leveraging strategy will be successful.

If leverage is employed, the net asset value and market value of the common shares will be more volatile, and the yield to Common Shareholders will tend to fluctuate with changes in the shorter-term dividend rates on any preferred shares and interest rates on other forms of leverage. The Fund anticipates that any preferred shares, at least initially, would likely pay cumulative dividends at rates determined over relatively shorter-term periods, by providing for the periodic redetermination of the dividend rate through an auction or similar process. See "Description of Shares—Preferred Shares." Likewise, the Fund anticipates that interest rates on other forms of leverage, if incurred, will also be based on shorter-term rates. The rates of return on intermediate-to-longer-term bonds, such as those in which the Fund expects primarily to invest, are typically, although not always, higher than shorter-term rates of return. If the interest and dividend rates on leverage approach the net rate of return on the Fund's investment portfolio, the benefit of leverage to Common Shareholders will be reduced. If the interest and dividend rates on leverage exceed the net rate of return on the Fund's portfolio, the leverage will result in a lower rate of return to Common Shareholders than if the Fund were not leveraged. Because market interest rates are currently near their lowest levels in many years, there is a greater risk that the Fund's portfolio will decline in value. Since the intermediate- and longer-term bonds included in the Fund's portfolio will typically pay fixed rates of interest while the interest rates on the leverage will be adjusted periodically, this could occur even when both longer-term and shorter-term rates rise. In addition, the Fund will pay (and Common Shareholders will bear) any costs and expenses relating to the use of any leverage. Accordingly, there can be no assurance that the use of leverage would result in a higher yield or return to Common Shareholders.

Similarly, any decline in the net asset value of the Fund's investments will be borne entirely by Common Shareholders. Therefore, if the market value of the Fund's portfolio declines, any leverage will result in a greater decrease in net asset value to Common Shareholders than if the Fund were not leveraged. Such greater net asset value decrease will also tend to cause a greater decline in the market price for the common shares. In these cases, the Fund might be in danger of failing to maintain the required 200% asset coverage on the preferred shares or the required 300% asset coverage on forms of leverage other than preferred shares, or of losing its expected AAA/Aaa ratings on the preferred shares. In an extreme case, the Fund's current investment income might not be sufficient to meet the dividend requirements on the preferred shares. This could occur, for example, if the yield curve becomes inverted (*i.e.*, short term interest rates are higher than long term interest rates). In order to counteract such an event, the Fund might need to liquidate investments in order to pay a dividend on preferred shares or fund a redemption of some or all of the preferred shares. Liquidation at times of low bond prices may result in capital loss and may reduce returns to Common Shareholders.

While the Fund may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that the Fund will actually reduce leverage in the future or that any reduction, if undertaken, will benefit the Common Shareholders. Changes in the future direction of interest rates are very difficult to predict accurately. If the Fund were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely operate to reduce the income and/or total returns to Common Shareholders relative to the circumstance where the Fund had not reduced leverage. The Fund may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and share price if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

The Fund may invest in the securities of other investment companies. Such securities may also be leveraged and will therefore be subject to the leverage risks described above. Such additional leverage may in certain market conditions serve to reduce the net asset value of the Fund's common shares and the returns to Common Shareholders.

The Fund may also invest in derivative instruments, which may amplify the effects of leverage and may adversely affect the Fund's net asset value per share and income and distributions to Common Shareholders. See "—Derivatives Risk" and the Statement of Additional Information under "Investment Objectives and Policies—Derivative Instruments."

Because the fees received by Western Asset are based on the average weekly assets of the Fund (including assets represented by preferred shares and other leverage), Western Asset has a financial incentive for the Fund to issue preferred shares and incur other leverage, which may create a conflict of interest between Western Asset and the Common Shareholders. The fees paid to Claymore Securities, Inc. are also based on the average weekly assets of the Fund.

Issuer Risk

The value of a corporate debt instrument may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

Smaller Company Risk

The general risks associated with corporate debt obligations are particularly pronounced for securities issued by companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or may depend on a few key employees. As a result, they may be subject to greater levels of credit, interest rate and issuer risk. Securities of smaller companies may trade less frequently and in less volume than more widely held securities, and their values may fluctuate more sharply than the values of other securities. Companies with medium-sized market capitalizations may have risks similar to those of smaller companies.

Country Risk

Investments in securities of non-U.S. issuers (including those denominated in U.S. dollars) involve certain risks not typically associated with investments in domestic issuers. The values of these securities are subject to economic and political developments in the countries and regions where the companies operate or are domiciled, or where the securities are traded, such as changes in economic or monetary policies, and to changes in exchange rates. Values may also be affected by restrictions on receiving the investment proceeds from a country other than the United States.

In general, less information is publicly available about these companies than about U.S. companies. These companies are generally not subject to the same accounting, auditing and financial reporting standards as are U.S. companies.

Some securities issued by non-U.S. governments or their subdivisions, agencies and instrumentalities may not be backed by the full faith and credit of the issuing government. Even where a security is backed by the full faith and credit of a government, it may be difficult for the Fund to pursue its rights against such government in that country's courts. Some countries and governments have defaulted on principal and interest payments.

In addition, the Fund's investments in non-U.S. securities may be subject to the risk of nationalization or expropriation of assets, confiscatory taxation, political or financial instability and adverse diplomatic developments. Dividends or interest on, or proceeds from the sale of, these securities may be subject to withholding taxes, and special U.S. tax considerations may apply.

In addition to brokerage commissions, custodial services and other costs relating to investment in non-U.S. countries are generally more expensive than in the United States. Such markets have at times been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. The inability of the Fund to make intended securities purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. An inability to dispose of a security due to settlement problems could result in losses to the Fund due to subsequent declines in the value of the security.

Investment in securities of issuers based in developing or "emerging market" countries entails all of the risks of investing in securities of non-U.S. issuers outlined above, but to a heightened degree. Emerging market countries typically have economic and political systems that are less fully developed, and can be expected to be less stable than those of more advanced countries. For example, the economies of such countries can be subject to rapid and unpredictable rates of inflation or deflation. Low trading volumes may result in a lack of liquidity and in price volatility. Emerging market countries may have policies that restrict investment by foreigners, or that prevent foreign investors from withdrawing their money at will.

Prepayment Risk

Many fixed income securities, especially those issued at high interest rates, provide that the issuer may repay them early. Issuers often exercise this right when interest rates decline. Accordingly, holders of securities that may be called or prepaid may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, the Fund reinvests the proceeds of the payoff at current yields, which are lower than those paid by the security that was paid off. Prepayments may cause losses on securities purchased at a premium, and unscheduled prepayments, which will be made at par, will cause the Fund to experience a loss equal to any unamortized premium.

Reinvestment Risk

Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund reinvests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the common shares' market price or their overall returns.

Derivatives Risk

The Fund may engage in a variety of transactions using "derivatives," such as futures, options, warrants and swaps. Derivatives are financial instruments whose value depends upon, or is derived from, the value of something else, such as one or more underlying investments or indexes. Derivatives may be traded on organized exchanges, or in individually negotiated transactions with other parties (these are known as "over-the-counter"). The Fund may use derivatives both for hedging and non-hedging purposes, including for purposes of enhancing returns. Although Western Asset has the flexibility to make use of derivatives, it may choose not to for a variety of reasons, even under very volatile market conditions.

Derivatives involve special risks and costs and may result in losses to the Fund. The successful use of derivatives transactions requires sophisticated management, and the Fund will depend on Western Asset's ability to analyze and manage derivatives transactions. Derivatives transactions also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses to the Fund. See "—Leverage Risk." The Fund's use of derivatives may also increase the amount of taxes payable by shareholders. As a result, the Fund's use of derivatives (whether used for hedging purposes or otherwise) may result in a lower return than if it had not used derivatives.

Other risks arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the Fund's derivatives positions. In fact, many over-the-counter instruments will not be liquid. Derivatives instruments may be subject to wide fluctuations in market value, and the Fund may be subject to significant delays in disposing of them. Accordingly, the Fund may be forced to close derivatives positions at less than fair market value or may not be able to close them when Western Asset believes it is desirable to do so.

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

Inflation/Deflation Risk

Inflation risk is the risk that the Fund's assets or income from the Fund's investments may be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Fund's portfolio could decline. Inflation risk is expected to be greater with respect to the Fund's investments in securities or instruments other than U.S. TIPS. Deflation risk is the risk that prices throughout the economy may decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio. Because the principal amounts of U.S. TIPS would be adjusted downward during a period of deflation, the Fund will be subject to deflation risk with respect to its investment in such securities.

Turnover Risk

The length of time the Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Fund is known as "portfolio turnover." As a result of the Fund's investment policies, under certain market conditions the Fund's turnover rate may be higher than that of other investment companies. Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. These transactions may result in realization of taxable capital gains. Higher portfolio turnover rates, such as those above 100%, are likely to result in higher brokerage commissions or other transaction costs and could give rise to a greater amount of taxable capital gains.

Management Risk

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

Anti-Takeover Provisions

The Declaration includes provisions that could limit the ability of other entities or persons to acquire control of the Fund, convert the Fund to open-end status or change the composition of the Board of Trustees. See "Anti-Takeover and Other Provisions in the Declaration of Trust." These provisions in the Declaration could have the effect of depriving Common Shareholders of opportunities to sell their common shares at a premium over the then-current market price of the common shares.

Market Disruption and Geopolitical Risks

The war with Iraq, its aftermath and the continuing occupation of the country by coalition forces are likely to have a substantial impact on the U.S. and world economies and securities markets. The duration and nature of the war and occupation and the potential costs of rebuilding the Iraqi infrastructure and political systems cannot be predicted with any certainty. Terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 closed some of the U.S. securities markets for a four-day period, and the occurrence of similar events cannot be ruled out. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect individual issuers and securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation, deflation and other factors relating to the common shares.

Certain Affiliations

Certain broker-dealers may be considered to be affiliated persons of the Fund and/or Western Asset. Absent an exemption from the Securities and Exchange Commission or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker or to utilize affiliated brokers for agency transactions is subject to regulatory and other restrictions. This could limit the Fund's ability to engage in securities transactions and take advantage of market opportunities.

HOW THE FUND MANAGES RISK

Investment Limitations

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. Certain of these limitations (two of which are listed below) are fundamental and may not be changed without the approval of the holders of a majority (as defined in the 1940 Act) of the outstanding common shares and, if issued, preferred shares voting together as a single class, and the approval of the holders of a majority (as defined in the 1940 Act) of the outstanding preferred shares voting as a separate class. Only those limitations expressly designated as such are fundamental investment limitations. All other polices or restrictions may be changed without shareholder approval.

The Fund may not invest 25% or more of its total assets, except as noted below, in a particular industry or group of industries.

As a diversified investment company under the 1940 Act, the Fund currently may not, with respect to 75% of the Fund's total assets, purchase the securities of any issuer, except securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities or securities of other investment companies, if, as a result, (i) more than 5% of the Fund's total assets would be invested in the securities of that issuer, or (ii) the Fund would hold more than 10% of the outstanding voting securities of that issuer.

As described in the Statement of Additional Information, the Fund's industry concentration policy described above does not preclude it from investing 25% or more of its total assets in issuers in a group of industries (such as different types of technology issuers) under certain circumstances. Securities issued or guaranteed by the U.S. government or its agencies or instrumentalities will not be considered to represent an industry. In addition, as described in the Statement of Additional Information, the Fund may invest 25% or more of its total assets in certificates of deposit or bankers' acceptances issued by domestic branches of U.S. or foreign banks under certain circumstances.

The Fund may become subject to guidelines which are more limiting than the investment restrictions set forth above or in the Statement of Additional Information in order to obtain and maintain a rating or ratings from Moody's, S&P and/or Fitch on the preferred shares that it intends to issue, including restrictions on its ability to incur leverage through the use of reverse repurchase agreements, credit default swaps, futures contracts, short sales, options, dollar rolls or related investments. Such guidelines could limit the Fund's investment flexibility and affect the return on the common shares. However, it is not currently anticipated that these guidelines will significantly impede Western Asset from managing the Fund's portfolio in accordance with the Fund's investment objectives and policies. See "Investment Objectives and Policies" and "Investment Restrictions" in the Statement of Additional Information.

Quality of Investments

The Fund will not invest in bonds that are below investment grade quality at the time of purchase. Investment grade quality means that such bonds are rated by a nationally recognized rating agency within the rating agency's four highest grades (Baa or BBB or higher by Moody's, S&P or Fitch or a similar rating of another nationally recognized rating agency) or are unrated but judged to be of comparable quality by Western Asset.

Management of Investment Portfolio and Capital Structure to Limit Leverage Risk

The Fund may take certain actions if market conditions change (or the Fund anticipates such a change) and the Fund's leverage begins (or is expected) to affect Common Shareholders adversely. In order to attempt to offset such a negative impact of leverage on Common Shareholders, the Fund may shorten the average maturity or duration of its investment portfolio (by investing in shorter-term, high quality securities) or may reduce its indebtedness or extend the maturity of outstanding preferred shares. The Fund may also attempt to reduce leverage by redeeming or otherwise purchasing preferred shares or reducing any holdings in reverse repurchase agreements, credit default swaps, futures, short sales, options, dollar rolls or other instruments that create leverage. As explained above under "Risks—Leverage Risk," the success of any such attempt to limit leverage risk depends on Western Asset's ability to predict interest rate or other market changes accurately. Because of the difficulty of making such predictions, the Fund may not be successful in managing its interest rate exposure in the manner described in this paragraph.

If market conditions suggest that additional leverage would be beneficial, the Fund may sell previously unissued preferred shares or preferred shares that the Fund previously issued but later repurchased or may utilize reverse repurchase agreements, credit default swaps, dollar roll transactions or other forms of leverage, including bank borrowings.

Hedging and Related Strategies

The Fund may use various investment strategies designed to limit risk and to preserve capital. These hedging strategies may include, among others, the use of swaps, futures contracts, short sales, options on futures or options based on U.S. Treasury securities, an index of longer-term securities or other instruments. Under current market conditions, the Fund initially intends to hedge 100% of the value of its portfolio by purchasing put options that should increase in value if interest rates were to rise significantly. Income earned by the Fund from many hedging activities will be treated as capital gain and, if not offset by net realized capital loss, will be distributed to shareholders in taxable distributions. If effectively used, hedging strategies can offset some or all of the loss incurred on the Fund's investments due to adverse changes in interest rates or inflation rates or other factors. There is no assurance that these hedging strategies (including the purchase of put options described above) will be available at any time, that Western Asset will use them for the Fund if available or that they will be successful if used. Hedging transactions involve costs and may result in losses to the Fund. Under some circumstances (*e.g.,* if interest rates decline, or if interest rates rise, but not to a significant extent), the Fund might have been better off not attempting to hedge its portfolio or a portion of its portfolio, because the hedging strategies would not have been successful (and thus the Fund's net asset value would have declined) and the Fund would have incurred costs (*e.g.,* the price paid to purchase the put options) to establish such hedging positions.

MANAGEMENT OF THE FUND

Trustees and Officers

There are currently five Trustees of the Fund, two of whom are "interested persons" (as defined in the 1940 Act) and three of whom are not "interested persons." The names and business addresses of the Trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under "Management of the Fund" in the Statement of Additional Information.

Investment Advisor

Subject to the supervision of the Board of Trustees, Western Asset is responsible for managing the investment activities of the Fund and certain of the Fund's business affairs and other administrative matters. Western Asset, established in 1971 and since 1986 a wholly-owned subsidiary of Legg Mason, Inc., acts as investment advisor to institutional accounts, such as corporate pension plans, mutual funds and endowment funds. Western Asset is located at 117 East Colorado Boulevard, Pasadena, California 91105. Total assets under management by Western Asset and its London-based affiliate, Western Asset Management Company Limited, were approximately $126.6 billion as of June 30, 2003.

Portfolio Managers

Western Asset does not employ individual portfolio managers to determine the investments of the Fund. Instead, the Fund's investments will be the responsibility of Western Asset's Investment Strategy Group, which is currently chaired by Western Asset's Chief Investment Officer and which also currently includes Western Asset's Deputy Chief Investment Officer, its Senior Economist and the head of each sector group.

Investment Management Agreement

Pursuant to an investment management agreement between Western Asset and the Fund (the "Investment Management Agreement"), the Fund has agreed to pay Western Asset an annual management fee payable on a monthly basis at the annual rate of .40% of the Fund's average weekly assets for the services it provides. "Average weekly assets" means the average weekly value of the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage). For purposes of calculating "average weekly assets," neither the liquidation preference of any preferred shares outstanding nor any liabilities associated with any instruments or transactions used by Western Asset to leverage the Fund's portfolio (whether or not such instruments or transactions are "covered" as described in this prospectus) is considered a liability. With respect to reverse repurchase or dollar roll transactions, "average weekly assets" includes any proceeds from the sale of an asset of the Fund to a counterparty in such a transaction, in addition to the value of the underlying asset as of the relevant measuring date. Because the fees received by Western Asset are based on the average weekly assets of the Fund (including assets represented by preferred shares and other leverage), Western Asset has a financial incentive for the Fund to issue preferred shares and incur other leverage, which may create a conflict of interest between Western Asset and the Common Shareholders. The Investment Management Agreement automatically terminates on assignment (as defined in the 1940 Act). The Investment Management Agreement may also be terminated on not more than 60 days' written notice by Western Asset to the Fund or by the Fund to Western Asset.

Expenses

In addition to the fees of Western Asset, the Fund pays all other costs and expenses of its operations, including compensation of its Trustees (other than those who are "interested persons" of the Fund within the meaning of the 1940 Act), fees of the servicing agent and administrator, custodial expenses, transfer agency and dividend disbursing expenses, listing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses of issuing any preferred shares, expenses of preparing, printing and distributing prospectuses, shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

Administrator

Under an Administrative Services Agreement with the Fund, Legg Mason Fund Adviser, Inc. (the "Administrator"), an affiliate of Western Asset, provides certain administrative and accounting functions for the Fund, including, among others, coordination of the services provided by the Fund's service providers (including the custodian, transfer agent, counsel and independent accountants), preparation, review and filing of various required reports and SEC forms, and the provision of certain office space and personnel necessary to the Fund's operations. In consideration of these services, the Fund will pay the Administrator a fee, paid monthly, at an annual rate of $100,000.

NET ASSET VALUE

Net asset value per common share will be determined for the Fund as of the close of regular trading on the New York Stock Exchange on each day the New York Stock Exchange is open. In the event that it is not practicable to calculate the Fund's net asset value on any business day for which a calculation is required, the Fund's net asset value for that day may be calculated subsequently. The New York Stock Exchange is normally closed on all national holidays and Good Friday. To calculate the Fund's net asset value per common share, the Fund's assets are valued and totaled, liabilities are subtracted, and the resulting net assets are divided by the number of common shares outstanding.

Portfolio securities and other assets for which market quotations are readily available are valued at current market value as determined by pricing services, broker-dealer quotations or other approved methods. Securities with remaining maturities of 60 days or less are generally valued at amortized cost. Unless certain unusual circumstances occur (including those described in the following paragraph), fixed income securities for which daily market quotations are not readily available will, to the extent appropriate under the circumstances, be valued with reference to fixed income securities whose prices are more readily available and whose durations are comparable to those of the securities being valued.

Other assets and securities for which no quotations are readily available are valued at fair value as determined in good faith by the Trustees or persons acting at their direction. Because of time zone differences, non-U.S. exchanges and securities markets will usually be closed prior to the time of the closing of the New York Stock Exchange. The principal markets for fixed income securities also generally close prior to the close of the New York Stock Exchange. Consequently, values of non-U.S. investments and fixed income securities will be determined as of the earlier closing of such exchanges and markets. However, events affecting the values of such non-U.S. investments and fixed income securities may occasionally occur between the earlier closings of such exchanges and markets and the closing of the New York Stock Exchange that will not be reflected in the computation of the net asset value. If an event that is likely materially to affect the value of such investments occurs during such period, then such investments may be valued at fair value as determined in good faith by the Trustees or persons acting at their direction.

DISTRIBUTIONS

The Fund intends to distribute to Common Shareholders monthly dividends of all or a portion of its net investment income after payment of dividends to holders of preferred shares and interest in connection with other forms of leverage (if applicable). It is expected that the initial monthly dividend on the Fund's common shares will be declared within approximately 45 days, and paid approximately 60 to 90 days, after completion of this offering. The Fund expects that all or a portion of any capital gain will be distributed at least annually.

In order to satisfy a requirement for qualification as a "regulated investment company" under the Internal Revenue Code of 1986, as amended (the "Code"), an investment company, such as the Fund, must distribute each year at least 90% of its net investment income, including the original issue discount accrued on inflation-indexed bonds, zero-coupon bonds, step-ups and payment-in-kind securities. Because the Fund will not on a current basis receive cash payments from the issuers of these securities in respect of accrued original issue discount, in some years the Fund may have to distribute cash obtained from selling other portfolio holdings of the Fund. In some circumstances, such sales might be necessary in order to satisfy cash distribution requirements even though investment considerations might otherwise make it undesirable for the Fund to sell securities at such time. Under many market conditions, investments in such securities may be illiquid, making it difficult for the Fund to dispose of them or determine their current value. Please see "Tax Matters—Original Issue Discount and Payment-in-Kind Securities" in the Statement of Additional Information.

Various factors will affect the level of the Fund's income, including the asset mix, the average maturity of the Fund's portfolio, the amount of leverage, if any, utilized by the Fund and the Fund's use of hedging. To permit the Fund to maintain a more stable monthly distribution, the Fund may from time to time distribute less than the entire amount of income earned in a particular period. The undistributed income would be available to supplement future distributions. As a result, the distributions paid by the Fund for any particular monthly period may be more or less than the amount of income actually earned by the Fund during that period. Undistributed income will add to the Fund's net asset value, and, correspondingly, distributions from undistributed income will be deducted from the Fund's net asset value. Common Shareholders will automatically have all dividends and distributions reinvested in common shares of the Fund issued by the Fund or purchased in the open market in accordance with the Fund's Dividend Reinvestment Plan unless an election is made to receive cash. See "Dividend Reinvestment Plan."

DIVIDEND REINVESTMENT PLAN

Pursuant to the Fund's Dividend Reinvestment Plan (the "Plan"), all Common Shareholders whose shares are registered in their own names will have all dividends, including any capital gain dividends, reinvested automatically in additional common shares by EquiServe, as agent for the Common Shareholders (the "Plan Agent"), unless the Common Shareholder elects to receive cash. A Common Shareholder may elect not to participate in the Plan and to receive all dividends in cash by contacting the Plan Agent at the address set forth in this section below. An election to receive cash may be revoked or reinstated at the option of the Common Shareholder.

In the case of record shareholders such as banks, brokers or other nominees that hold common shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of common shares certified from time to time by the record shareholder as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan. Shareholders whose shares are held in the name of a bank, broker or nominee should contact the bank, broker or nominee for details. Such shareholders may not be able to transfer their shares to another bank or broker and continue to participate in the Plan. All distributions to investors who elect not to participate in the Plan (or whose broker or nominee elects not to participate on the investor's behalf) will be paid in cash by check mailed to the record holder by EquiServe, as the Fund's dividend disbursement agent.

Unless a Common Shareholder (or a Common Shareholder's broker or nominee) elects not to participate in the Plan, the number of common shares that the Common Shareholder will receive will be determined as follows:

(1) if common shares are trading at or above net asset value (minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market) on the payment date, the Fund will issue new shares at the greater of (i) the net asset value per common share on the payment date and (ii) 95% of the market price per common share on the payment date; or

(2) if common shares are trading below net asset value (minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market) on the payment date, the Plan Agent will receive the dividend or distribution in cash and will purchase common shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. It is possible that the market price for the common shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price on the payment date, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in common shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase common shares in the open market on or shortly after the payment date, but in no event later

than the ex-dividend date for the next distribution. Interest will not be paid on any uninvested cash payments.

A Common Shareholder may withdraw from the Plan at any time by giving notice to the Plan Agent and such termination will be effective if notice is received by the Plan Agent one business day prior to a distribution record date. If a Common Shareholder withdraws or the Plan is terminated, the Common Shareholder will receive a certificate for each whole share in its account under the Plan and will receive a cash payment for any fraction of a share in that account. At the Common Shareholder's option, the Plan Agent will sell the shares and send the Common Shareholder the proceeds, minus brokerage commissions.

The Plan Agent maintains all Common Shareholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information Common Shareholders may need for tax records. Common shares in an account will be held by the Plan Agent in non-certificated form. Any proxy a Common Shareholder receives will include all common shares the Common Shareholder has received under the Plan.

There is no brokerage charge for reinvestment of dividends or distributions in common shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions.

The Fund and the Plan Agent reserve the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from EquiServe Trust Company, N.A., P.O. Box 43010, Providence, Rhode Island 02940-3010.

DESCRIPTION OF SHARES

Common Shares

The Declaration authorizes the issuance of an unlimited number of common shares. The common shares will be issued without par value. All common shares have equal rights to the payment of dividends and the distribution of assets upon liquidation. Common shares will, when issued, be fully paid and, subject to matters discussed in "Anti-Takeover and Other Provisions in the Declaration of Trust," non-assessable, and will have no pre-emptive or conversion rights or rights to cumulative voting. Whenever preferred shares are outstanding, Common Shareholders will not be entitled to receive any distributions from the Fund unless (1) all accrued dividends on preferred shares and interest with respect to certain forms of the Fund's indebtedness have been paid, (2) asset coverage (as defined in the 1940 Act) tests with respect to the preferred shares and certain forms of indebtedness of the Fund are satisfied after giving effect to the distributions and (3) other requirements imposed by any rating agency or rating agencies rating any preferred shares issued by the Fund have been met. See "Preferred Shares" below.

The common shares have been authorized for listing on the New York Stock Exchange, subject to notice of issuance. The Fund intends to hold annual meetings of shareholders so long as the common shares are listed on a national securities exchange and such meetings are required as a condition to such listing.

Unlike open-end funds, closed-end funds like the Fund do not continuously offer shares and do not provide daily redemptions. Rather, if a shareholder determines to buy additional common shares or sell shares already held, the shareholder may do so by trading through a broker on the New York Stock Exchange or otherwise. Shares of closed-end investment companies frequently trade on an exchange at prices lower than net asset value. Shares of closed-end investment companies like the Fund that invest in investment grade bonds have during some periods traded at prices higher than net asset value and during other periods have traded at prices lower than net asset value. In general, shares of closed-end investment companies trade at prices lower than net asset value more frequently than such shares trade at prices higher than net asset value. The Fund's Declaration limits the ability of the Fund to convert to open-end status. See "Anti-Takeover and Other Provisions in the Declaration of Trust."

Because the market value of the common shares may be influenced by such factors as dividend levels (which are in turn affected by expenses and other factors), call protection, dividend stability, portfolio credit quality, interest rate movements, net asset value, relative demand for and supply of such shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, there can be no assurance that the common shares will trade at a price equal to or higher than net asset value in the future. The common shares are designed primarily for long-term investors, and an investor should not purchase common shares of the Fund if he or she intends to sell them shortly after purchase. See "Preferred Shares and Other Leverage" and the Statement of Additional Information under "Repurchase of Common Shares; Conversion to Open-End Fund."

Preferred Shares

The Declaration authorizes the issuance of an unlimited number of preferred shares. The preferred shares will be issued in one or more classes or series, with such par value and rights as determined by the Board of Trustees, by action of the Board of Trustees without the approval of Common Shareholders.

The Fund's Board of Trustees has indicated its intention to authorize an offering of preferred shares (representing approximately 33% of the Fund's total managed assets) approximately one to three months after completion of the offering of common shares. Any such decision is subject to market conditions and to the Board's continuing belief that leveraging the Fund's capital structure through the issuance of preferred shares is likely to achieve the benefits to Common Shareholders described in this prospectus. Although the terms of the preferred shares will be determined by the Board of Trustees (subject to applicable law and the Declaration) if and when it authorizes a preferred shares offering, it is expected that the preferred shares, at least initially, would likely pay cumulative dividends at rates determined over relatively shorter-term periods, with the periodic redetermination of the dividend rate happening through an auction or a similar process. The Board of Trustees has indicated that the preference on distribution, liquidation preference, voting rights and redemption provisions of the preferred shares will likely be as stated below.

Limited Issuance of Preferred Shares. Under the 1940 Act, the Fund could issue preferred shares so long as the Fund meets the 1940 Act Asset Coverage Test. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its common shares unless the 1940 Act Asset Coverage Test is satisfied immediately after the declaration. If the Fund sells all the common shares discussed in this prospectus and preferred shares are issued, the liquidation value of the preferred shares immediately after their issuance is expected to be approximately 33% of the value of the Fund's total managed assets. The Fund intends, to the extent possible, to purchase or redeem preferred shares, if necessary, to ensure compliance with the 1940 Act Asset Coverage Test.

Distribution Preference. The preferred shares have complete priority over the common shares as to distribution of assets. Therefore, under certain circumstances, preferred shareholders may receive dividends when Common Shareholders do not.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Fund, holders of preferred shares will be entitled to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus accumulated and unpaid dividends thereon, whether or not earned or declared) before any distribution of assets is made to Common Shareholders. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of preferred shares will not be entitled to any further participation in any distribution of assets by the Fund.

Voting Rights. Preferred shares are required to be voting shares. Except as otherwise provided in the Declaration or the Fund's Bylaws or otherwise required by applicable law, holders of preferred shares will vote together with Common Shareholders as a single class.

Holders of preferred shares, voting as a separate class, will also be entitled to elect two of the Fund's Trustees. The remaining Trustees will be elected by Common Shareholders and holders of preferred shares, voting together as a single class. In the unlikely event that two full years of accrued dividends are unpaid on the preferred shares, the holders of all outstanding preferred shares, voting as a separate class, will be entitled to elect a majority of the Fund's Trustees until all dividends in arrears have been paid or declared and set apart for payment.

The 1940 Act also requires that, in addition to any approval by shareholders that might otherwise be required, the approval of the holders of a majority of the outstanding preferred shares, voting separately as a class, would be required to (1) adopt any plan of reorganization that would adversely affect the preferred shares, and (2) take any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in the Fund's subclassification as a closed-end investment company or changes in its fundamental investment restrictions.

Redemption, Purchase and Sale of Preferred Shares. The terms of the preferred shares may provide that they are redeemable at certain times, in whole or in part, at the original purchase price per share plus accumulated dividends. The terms may also state that the Fund may tender for or purchase preferred shares and resell any shares so tendered. Any redemption or purchase of preferred shares by the Fund will reduce the leverage applicable to common shares, while any resale of preferred shares by the Fund will increase such leverage. See "Preferred Shares and Other Leverage."

The discussion above describes the Board of Trustees' present intention with respect to a possible offering of preferred shares. If the Board of Trustees determines to authorize such an offering, the terms of the preferred shares may be the same as, or different from, the terms described above.

As of the date of this prospectus, Western Asset owned of record and beneficially 6,981 common shares, constituting 100% of the outstanding shares of the Fund, and thus, until the public offering of the common shares is completed, will control the Fund.

ANTI-TAKEOVER AND OTHER PROVISIONS IN THE DECLARATION OF TRUST

The Declaration includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or to convert the Fund to open-end status. The Fund's Trustees are divided into three classes. At each annual meeting of shareholders, the term of one class will expire, and each Trustee elected to that class will hold office for a term of three years. The classification of the Board of

Trustees in this manner could delay for an additional year the replacement of a majority of the Board of Trustees. In addition, subject to any voting powers of Common Shareholders or holders of preferred shares, the Declaration provides that a Trustee may be removed only for cause and only (1) by action of at least seventy-five percent (75%) of the outstanding shares of the classes or series of shares entitled to vote for the election of such Trustee, at a meeting called for the purpose, or (2) by at least seventy-five percent (75%) of the remaining Trustees.

As described below, the Declaration grants special approval rights with respect to certain matters to members of the Board who qualify as "Continuing Trustees," which term means a Trustee who either (1) has been a member of the Board for a period of at least thirty-six months (or since immediately after the initial registered public offering of the Fund's common shares, if less than thirty-six months); (2) was nominated to serve as a member of the Board of Trustees by a majority of the Continuing Trustees then members of the Board; or (3) prior to the sale of the common shares pursuant to an initial public offering only, serves as a Trustee.

The Declaration requires the affirmative vote or consent of at least seventy-five percent (75%) of the Board of Trustees and holders of at least seventy-five percent (75%) of the Fund's shares (including common and preferred shares) to authorize certain Fund transactions not in the ordinary course of business, including a merger or consolidation or sale or transfer of Fund assets, unless the transaction is authorized by both a majority of the Trustees and seventy-five percent (75%) of the Continuing Trustees (in which case shareholder authorization would not be required by the Declaration, but might be required in certain cases under the 1940 Act). The Declaration also requires the affirmative vote or consent of holders of at least seventy-five percent (75%) of each class of the Fund's shares entitled to vote on the matter to authorize a conversion of the Fund from a closed-end to an open-end investment company, unless the conversion is authorized by both a majority of the Trustees and seventy-five percent (75%) of the Continuing Trustees (in which case shareholders would have only the minimum voting rights required by the 1940 Act with respect to the conversion). In addition, the Declaration provides that the Fund may be terminated at any time by vote or consent of at least seventy-five percent (75%) of the Fund's shares or, alternatively, by vote or consent of both a majority of the Trustees and seventy-five percent (75%) of the Continuing Trustees. The Declaration also requires the approval of both a majority of the Trustees and seventy-five percent (75%) of the Continuing Trustees for certain extraordinary distributions from the Fund to shareholders. See "Anti-Takeover and Other Provisions in the Declaration of Trust" in the Statement of Additional Information for a more detailed summary of these provisions.

The Trustees may from time to time grant other voting rights to shareholders with respect to these and other matters in the Fund's Bylaws.

The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a third party. They provide, however, the advantage of potentially requiring persons seeking control of the Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's investment objectives and policies. The provisions of the Declaration described above could have the effect of depriving Common Shareholders of opportunities to sell their common shares at a premium over the then current market price of the common shares by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The Board of Trustees of the Fund has considered the foregoing anti-takeover provisions and concluded that they are in the best interests of the Fund.

The foregoing is intended only as a summary and is qualified in its entirety by reference to the full text of the Declaration and the Fund's Bylaws, both of which are on file with the Securities and Exchange Commission.

Under Massachusetts law, shareholders could, in certain circumstances, be held personally liable for the obligations of the Fund. However, the Declaration contains an express disclaimer of shareholder liability for debts or obligations of the Fund and requires that notice of such limited liability be given in each agreement, obligation or instrument entered into or executed by the Fund or the Trustees. The Declaration further provides for indemnification out of the assets and property of the Fund for all loss and expense of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund would be unable to meet its obligations. The Fund believes that the likelihood of such circumstances is remote.

REPURCHASE OF FUND SHARES; CONVERSION TO OPEN-END FUND

The Fund is a closed-end investment company and as such its shareholders will not have the right to cause the Fund to redeem their shares. Shares of a closed-end investment company frequently trade at prices lower than net asset value. The Fund's Board of Trustees will regularly monitor the relationship between the market price and net asset value of the common shares. Although the Fund has no present intention of repurchasing the common shares or taking other actions in response to any discount to net asset value, if the common shares were to trade at a substantial discount to net asset value for an extended period of time, the Board may consider, among other things, the repurchase of common shares on the open market or in private transactions, the making of a tender offer for such shares or the conversion of the Fund to an open-end investment company. The Fund cannot assure you that its Board of Trustees will decide to take or propose any of these actions, or that share repurchases or tender offers will actually reduce market discount.

If the Fund converted to an open-end company, it would be required to redeem all preferred shares then outstanding (requiring in turn that it liquidate a portion of its investment portfolio), and the common shares would likely no longer be listed on the New York Stock Exchange. In contrast to a closed-end investment company, shareholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less any redemption charge that is in effect at the time of redemption. The Fund expects that it would pay all such redemption requests in cash, but reserves the right to pay redemption requests in securities or through a combination of cash and securities. If such full or partial payment in securities were made, investors may incur brokerage costs in converting such securities to cash. The Fund reserves the right to impose a sales load on its shares if it converts into an open-end investment company. If the Fund converted into an open-end company, the differences in risks and operational requirements between closed-end and open-end investment companies could affect the Fund's ability to achieve its investment objectives. Conversion to an open-end investment company would also require a shareholder vote under certain circumstances. See "Anti-Takeover and Other Provisions in the Declaration of Trust."

Before deciding whether to take any action if the common shares trade below net asset value, the Board would consider all relevant factors, including the extent and duration of the discount, the liquidity of the Fund's portfolio, the impact of any action that might be taken on the Fund or its shareholders, and market considerations. Based on these considerations, even if the Fund's shares should trade at a substantial discount for an extended period of time, the Board of Trustees may determine that, in the interest of the Fund and its shareholders, no action should be taken. See the Statement of Additional Information under "Repurchase of Common Shares; Conversion to Open-End Fund" for a further discussion of possible action to reduce or eliminate such discount to net asset value.

TAX MATTERS

The following federal income tax discussion is based on the advice of Ropes & Gray LLP, counsel to the Fund, and reflects provisions of the Code, existing Treasury regulations, rulings published by the Internal Revenue Service (the "Service"), and other applicable authority, as of the date of this prospectus. These authorities are subject to change by legislative or administrative action, possibly with retroactive effect. The following discussion is only a summary of some of the important tax considerations generally applicable to investments in the Fund. For more detailed information regarding tax considerations, see the Statement of Additional Information. There may be other tax considerations applicable to particular investors. In addition, income earned through an investment in the Fund may be subject to state, local and foreign taxes.

The Fund intends to elect to be treated and to qualify each year for taxation as a regulated investment company eligible for treatment under the provisions of Subchapter M of the Code. In order for the Fund to qualify as a regulated investment company, it must meet an income and asset test each year. If the Fund so qualifies and satisfies certain distribution requirements, the Fund will not be subject to federal income tax on income distributed in a timely manner to its shareholders in the form of dividends or capital gain distributions.

To satisfy the distribution requirement applicable to regulated investment companies, amounts paid as dividends by the Fund to its shareholders, including holders of its preferred shares, must qualify for the dividends-paid deduction. If the Fund realizes a long-term capital gain, it will be required to allocate such gain between the common shares and any preferred shares issued by the Fund in proportion to the total dividends paid to each class during the year in which the income is realized. In certain circumstances, the Service could take the position that dividends paid on the preferred shares constitute preferential dividends under Section 562(c) of the Code, and thus do not qualify for the dividends-paid deduction. The Fund believes this position, if asserted, would be unlikely to prevail.

If at any time when preferred shares are outstanding the Fund does not meet applicable asset coverage requirements, it will be required to suspend distributions to Common Shareholders until the requisite asset coverage is restored. Any such suspension may cause the Fund to pay a 4% federal excise tax (imposed on regulated investment companies that fail to distribute for a given calendar year, generally, at least 98% of their net investment income and capital gain net income) and income tax on undistributed income or gains, and may, in certain circumstances, prevent the Fund from qualifying for treatment as a regulated investment company. The Fund may redeem or purchase preferred shares in an effort to comply with the distribution requirement applicable to regulated investment companies and to avoid income and excise taxes. The Fund may have to dispose of portfolio securities to generate cash for such redemptions, which may result in transaction expenses and gain at the Fund level and in further distributions.

The Fund's investments in certain debt obligations (including U.S. TIPS) may cause the Fund to recognize taxable income in excess of the cash generated by such obligations. Thus, the Fund could be required at times to liquidate other investments, including when it is not advantageous to do so, in order to satisfy its distribution requirements.

The Fund may at times buy investments at a discount from the price at which they were originally issued, especially during periods of rising interest rates. For federal income tax purposes, some or all of this market discount will be included in the Fund's ordinary income and will be taxable to shareholders as such when it is distributed.

For federal income tax purposes, distributions of investment income are generally taxable as ordinary income. Whether distributions of capital gains are taxed as ordinary income or capital gains is determined by how long the Fund owned the investments that generated such capital gains, rather than how long a shareholder has owned his or her shares. Distributions of net gains from the sale of investments that the Fund owned for more than one year and that are properly designated by the Fund as capital gain dividends will be taxable as long-term capital gains. Distributions of gains from the sale of investments that the Fund owned for one year or less will be taxable as ordinary income. For taxable years beginning on or before December 31, 2008, distributions of investment income designated by the Fund as derived from "qualified dividend income" will be taxed in the hands of individuals at the rates applicable to long-term capital gain, provided holding period and other requirements are met at both the shareholder and Fund levels. The Fund does not expect a significant portion of Fund distributions to be derived from qualified dividend income. Any gain resulting from the sale or exchange of Fund shares generally will be taxable as capital gains.

Long-term capital gain rates applicable to individuals have been temporarily reduced—in general, to 15% with lower rates applying to taxpayers in the 10% and 15% rate brackets—for taxable years beginning on or before December 31, 2008.

Under current law, the backup withholding tax rate is 28% for amounts paid through 2010 and will be 31% for amounts paid after December 31, 2010. The Fund may be required to apply backup withholding to taxable distributions or redemption proceeds payable to a shareholder. Please see "Tax Matters" in the Statement of Additional Information for additional information about backup withholding tax rates.

This section relates only to federal income tax consequences of investing in the Fund; the consequences under other tax laws may differ. Common Shareholders should consult their tax advisors as to the possible application of foreign, state and local income tax laws to Fund dividends and capital distributions. Please see "Tax Matters" in the Statement of Additional Information for additional information regarding the tax aspects of investing in the Fund.

UNDERWRITING

Subject to the terms and conditions stated in a purchase agreement dated September 25, 2003, each underwriter named below, for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative, has severally agreed to purchase, and the Fund has agreed to sell to such underwriter, the number of common shares set forth opposite the name of such underwriter.

Underwriter	Number of Common Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	13,855,000
Legg Mason Wood Walker, Incorporated	4,000,000
RBC Dain Rauscher Inc.	1,700,000
Advest, Inc.	200,000
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.	150,000
Robert W. Baird & Co. Incorporated	500,000
J.J.B. Hilliard, W.L. Lyons, Inc.	200,000
Janney Montgomery Scott LLC	500,000
McDonald Investments Inc., a KeyCorp Company	250,000
Morgan Keegan & Company, Inc.	200,000
Oppenheimer & Co. Inc.	400,000
Quick & Reilly, Inc.	500,000
Stifel, Nicolaus & Company, Incorporated	150,000
W.R. Hambrecht & Co., LLC	150,000
Wedbush Morgan Securities Inc.	150,000
Claymore Securities, Inc.	75,000
A.G. Edwards & Sons, Inc.	150,000
Deutsche Bank Securities Inc.	150,000
Harris Nesbitt Gerard, Inc.	150,000
Ryan Beck & Co.	150,000
U.S. Bancorp Piper Jaffray Inc.	150,000
William Blair & Company, L.L.C.	80,000
Crowell, Weedon & Co.	80,000
D.A. Davidson & Co.	80,000
Ferris, Baker Watts, Incorporated	80,000
Ladenburg Thalmann & Co. Inc.	80,000
Parker/Hunter Incorporated	80,000
Stephens Inc.	80,000
SunTrust Capital Markets, Inc.	80,000
Blaylock & Partners, L.P.	40,000
Brean Murray & Co., Inc.	40,000
Chatsworth Securites LLC	40,000
Fifth Third Securities, Inc.	40,000
Gilford Securities Incorporated	40,000
Howe Barnes Investments, Inc.	40,000
Huntleigh Securites Corporation	40,000
Johnston, Lemon & Co. Incorporated	40,000
LaSalle St. Securities, LLC	40,000
Maxim Group LLC	40,000
McGinn, Smith & Co., Inc.	40,000
Mesirow Financial, Inc.	40,000
NatCity Investments, Inc.	40,000
National Securities Corporation	40,000
Needham & Company, Inc.	40,000

Underwriter	Number of Common Shares
David A. Noyes & Company	40,000
Sands Brothers & Co., Ltd.	40,000
Southwest Securities, Inc.	40,000
Sterling Financial Investment Group, Inc.	40,000
M.L. Stern & Co., LLC	40,000
Torrey Pines Securities, Inc.	40,000
J.P. Turner & Company, L.L.C.	40,000
Total	25,250,000

The purchase agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to the approval of certain legal matters by counsel and to certain other conditions. The underwriters are obligated to purchase all the common shares sold under the purchase agreement if any of the common shares are purchased. In the purchase agreement, the Fund and Western Asset have agreed to indemnify the underwriters against certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or to contribute payments the underwriters may be required to make for any of those liabilities.

Commissions and Discounts

The underwriters propose to initially offer some of the common shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the common shares to certain dealers at the public offering price less a concession not in excess of $.45 per share. The sales load the Fund will pay of $.675 per share is equal to 4.5% of the initial offering price. The underwriters may allow, and the dealers may reallow, a discount not in excess of $.10 per share on sales to other dealers. After the initial public offering, the public offering price, concession and discount may be changed. Investors must pay for any common shares purchased on or before September 30, 2003.

The following table shows the public offering price, estimated offering expenses, sales load and proceeds to the Fund. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Share	Without Option	With Option
Public offering price	$15.00	$378,750,000	$435,562,500
Sales load	$.675	$17,043,750	$19,600,312
Estimated offering expenses	$.03	$757,500	$871,125
Proceeds to the Fund	$14.295	$360,948,750	$415,091,063

The offering costs borne by the Fund, which may include the reimbursement of certain expenses of Western Asset and Claymore Securities, Inc., are estimated at $757,500. The Fund has agreed to pay the underwriters $.005 per common share as a partial reimbursement of expenses incurred in connection with the offering. The amount paid by the Fund as this partial reimbursement to the underwriters will not exceed .03% of the total price to the public of the common shares sold in this offering. Western Asset and Claymore Securities, Inc. have agreed to (i) pay the amount by which the Fund's offering costs (other than the sales load, but including the reimbursement of expenses described above) exceed $.03 per common share (the "Reimbursement Cap") and (ii) reimburse all of the Fund's organizational expenses.

Claymore Securities, Inc. will provide distribution assistance in connection with the sale of the common shares of the Fund. Generally, Claymore Securities, Inc. pays a fee of .10% of the offering amount to employees who assist in marketing securities. In connection with this distribution assistance, Claymore Securities, Inc. will enter into an underwriter participation agreement with the Fund. To the extent that the Fund has not otherwise paid offering costs equal to the Reimbursement Cap, the Fund will pay up to .10% of the public offering price of the securities sold in this offering up to the Reimbursement Cap to Claymore Securities, Inc. as payment for its distribution assistance. Claymore Securities, Inc. is a registered broker-dealer and a member of the National Association of Securities Dealers. The amount paid by the Fund to Claymore Securities, Inc. for its distribution assistance will not exceed .10% of the total price to the public of the common shares sold in this offering.

Overallotment Option

The Fund has granted the underwriters an option to purchase up to 3,787,500 additional common shares at the public offering price, less the sales load, within 45 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the common shares is complete, Securities and Exchange Commission rules may limit underwriters and selling group members from bidding for and purchasing the Fund's common shares. However, the representatives may engage in transactions that stabilize the price of the common shares, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common shares in connection with the offering, *i.e.*, if they sell more common shares than are listed on the cover of this prospectus, the representatives may reduce that short position by purchasing common shares in the open market. The representatives may also elect to reduce any short position by exercising all or part of the overallotment option described above. The underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the common shares sold in this offering for their account may be reclaimed by the syndicate if such common shares are repurchased by the syndicate in stabilizing or covering transactions. Purchases of the common shares to stabilize the price or to reduce a short position may cause the price of the common shares to be higher than it might be in the absence of such purchases.

Neither the Fund nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common shares. In addition, neither the Fund nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Fund has agreed not to offer or sell any additional common shares for a period of 180 days after the date of the purchase agreement without the prior written consent of the underwriters, except for the sale of the common shares to the underwriters pursuant to the purchase agreement and certain transactions relating to the Fund's Dividend Reinvestment Plan.

The Fund anticipates that the underwriters may from time to time act as brokers or, after they have ceased to be underwriters, dealers in executing the Fund's portfolio transactions. The underwriters are active underwriters of, and dealers in, securities and act as market makers in a number of such securities, and therefore can be expected to engage in portfolio transactions with the Fund.

The common shares will be sold to ensure that New York Stock Exchange distribution standards (*i.e.*, round lots, public shares and aggregate market value) will be met.

Other Relationships

Western Asset has also agreed to pay from its own assets additional compensation to Merrill Lynch. This additional compensation will be payable quarterly at the annual rate of .15% of the Fund's average weekly assets during the continuance of the Investment Management Agreement or other advisory agreement between Western Asset and the Fund. Merrill Lynch has agreed to provide certain after-market support services to Western Asset designed to maintain the visibility of the Fund on an ongoing basis and to provide relevant information, studies or reports regarding the Fund and the closed-end investment company industry. The total amount of these additional payments will not exceed 2.185% of the total price to the public of the common shares sold in this offering.

One or more of the underwriters of the common shares may also act as an underwriter of the Fund's preferred shares.

The address of Merrill Lynch, Pierce, Fenner & Smith, Incorporated is 4 World Financial Center, New York, New York 10080. The address of Claymore Securities, Inc. is 210 N. Hale Street, Wheaton, Illinois 60187.

The sum total of all compensation to underwriters in connection with this public offering of common shares, including sales load and all forms of additional compensation to underwriters, will be limited to 9.0% of the total price to the public of the common shares sold in this offering.

SERVICING AGENT

Claymore Securities, Inc. (the "Servicing Agent") acts as servicing agent to the Fund pursuant to a servicing agreement (the "Servicing Agreement"). The Servicing Agent's duties include developing and maintaining a website for the Fund; assisting in the review of materials made available to shareholders to assure compliance with applicable laws, rules and regulations; assisting in the dissemination of the Fund's net asset value, market price and market discount or premium; maintaining ongoing contact with brokers whose clients hold or may have an interest in acquiring Fund shares; replying to information requests from shareholders or prospective investors; and aiding in secondary market support for the Fund through regular written and oral communications with the Fund's New York Stock Exchange specialist and the closed-end fund analyst community.

As compensation for its services, the Fund pays the Servicing Agent an annual fee payable monthly in arrears, which will be based on the Fund's average weekly assets during such month, in an amount equal to 0.15% of the Fund's average weekly assets. The fees payable by the Fund to the Servicing Agent generally will be higher during periods in which the Fund is utilizing leverage. The total amount of fees paid by the Fund pursuant to the Servicing Agreement will not exceed 2.185% of the total price to the public of the common shares sold in this offering. For more information about how average weekly assets are calculated, see "Management of the Fund—Investment Management Agreement."

The Servicing Agreement is effective on the date the Fund's registration statement is declared effective and will terminate unless approved annually by the Board of Trustees of the Fund. The Servicing Agreement is terminable upon 30 days' notice by the Fund and 60 days' notice by the Servicing Agent.

Claymore Securities, Inc. specializes in the creation, development and distribution of investment solutions for advisors and their valued clients. The Servicing Agent is a member of the National Association of Securities Dealers and is registered as a broker-dealer. The Servicing Agent has limited experience servicing registered investment companies.

CUSTODIAN AND TRANSFER AGENT

The custodian of the assets of the Fund is State Street Bank & Trust Company, 150 Newport Avenue AFB/4N, North Quincy, Massachusetts 02171. The Custodian performs custodial and certain fund accounting services.

EquiServe, 150 Royall Street, Canton, Massachusetts 02021, serves as the Fund's transfer agent, registrar, and dividend disbursing agent, as well as agent for the Fund's Dividend Reinvestment Plan.

LEGAL MATTERS

Certain legal matters in connection with the common shares will be passed upon for the Fund by Ropes & Gray LLP, New York, New York, and for the underwriters by Clifford Chance US LLP. Clifford Chance US LLP may rely as to certain matters of Massachusetts law on the opinion of Ropes & Gray LLP.

TABLE OF CONTENTS FOR THE STATEMENT OF ADDITIONAL INFORMATION

PRIVACY POLICY

We are committed to keeping nonpublic personal information about you secure and confidential. This notice is intended to help you understand how we fulfill this commitment.

From time to time, we may collect a variety of personal information about you, including:

- Information we receive from you on applications and forms, via the telephone, and through our websites;
- Information about your transactions with us, our affiliates, or others (such as your purchases, sales, or account balances); and
- Information we receive from consumer reporting agencies.

We do not disclose your nonpublic personal information, except as permitted by applicable law or regulation. For example, we may share this information with others in order to process your transactions. We may also provide this information to companies that perform services on our behalf, such as printing and mailing, or to other financial institutions with whom we have joint marketing agreements. We will require these companies to protect the confidentiality of this information and to use it only to perform the services for which we hired them.

With respect to our internal security procedures, we maintain physical, electronic, and procedural safeguards to protect your nonpublic personal information, and we restrict access to this information.

If you decide at some point either to close your account(s) or become an inactive customer, we will continue to adhere to our privacy policies and practices with respect to your nonpublic personal information.

This notice is being provided on behalf of:

Legg Mason Wood Walker, Incorporated
LM Financial Partners, Inc.
The Legg Mason Family of Funds
The Western Asset Family of Funds
Pacific American Income Shares, Inc.
Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund

Until October 20, 2003 (25 days after the date of this prospectus), all dealers that buy, sell or trade the common shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

WESTERN ASSET

CLAYMORE

25,250,000 Shares
Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund

Common Shares of Beneficial Interest
$15.00 per share

PROSPECTUS

Merrill Lynch & Co.
Legg Mason Wood Walker
Incorporated
RBC Capital Markets
Advest, Inc.
BB&T Capital Markets
Robert W. Baird & Co.
J.J.B. Hilliard, W.L. Lyons, Inc.
Janney Montgomery Scott LLC
McDonald Investments Inc.
Morgan Keegan & Company, Inc.
Oppenheimer
Quick & Reilly, Inc.
Stifel, Nicolaus & Company
Incorporated
WR Hambrecht & Co.
Wedbush Morgan Securities Inc.
Claymore Securities, Inc.

September 25, 2003