

WESTERN ASSET PREMIER BOND FUND
Form PRE 14A
March 21, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials

“ Soliciting Material under §240.14a-12

Western Asset Premier Bond Fund

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

“ No fee required.

“ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

“ Fee paid previously with preliminary materials.

“ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

WESTERN ASSET PREMIER BOND FUND

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Western Asset Premier Bond Fund Taxable Auction Market Preferred Shares Series M and Series W

To be held on April 30, 2014

To the Holders of Preferred Shares of

Western Asset Premier Bond Fund (the Fund)

A Special Meeting of holders of the Fund's Series M Taxable Auction Market Preferred Shares and Series W Taxable Auction Market Preferred Shares will be held at 100 International Drive, Baltimore, Maryland, on April 30, 2014 at 8:30 a.m., Eastern time (the Meeting), to consider and act upon the following matters:

- Item 1. To approve amendments to the Fund's Bylaws that (i) authorize the Fund to borrow money under the conditions set forth in the proposed amendment and (ii) change the definition of the term Lien to exclude liens related to such borrowings.
- Item 2. Such other matters as may properly come before the meeting and any adjournment(s) or postponement(s) thereof.

The Board of Trustees has fixed the close of business on March 20, 2014 as the record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting and any adjournment(s) or postponement(s) thereof.

By Order of the Board of Trustees

Robert I. Frenkel,

Secretary

Pasadena, California

Xxxxx xx, 2014

SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING IN PERSON ARE URGED TO DATE, FILL IN, SIGN AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

WESTERN ASSET PREMIER BOND FUND

100 International Drive, Baltimore, Maryland 21202

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 30, 2014:

The proxy statement is available at <http://www.Kingproxy.com/leggmason>

The accompanying proxy is solicited by the Board of Trustees of the Fund for use at the special meeting of holders of the Fund's Series M Taxable Auction Market Preferred Shares and Series W Taxable Auction Market Preferred Shares (together, the ARPS and holders thereof the Preferred Shareholders) to be held at 100 International Drive, Baltimore, Maryland, on April 30, 2014 at 8:30 a.m., Eastern time (together with any adjournment(s) or postponement(s) thereof, the Meeting).

At the Meeting, Preferred Shareholders of the Fund will be asked to consider the matters set forth in the accompanying Notice of Special Meeting of Shareholders of Western Asset Premier Bond Fund Taxable Auction Market Preferred Shares (the Notice). This Proxy Statement and the form of proxy were first mailed to Preferred Shareholders on or about XXX xx, 2014.

The Board of Trustees has fixed the close of business on March 20, 2014 as the record date (Record Date) for the determination of Preferred Shareholders entitled to notice of and to vote at the Meeting. As of the Record Date, the Fund had issued and outstanding 2,880 ARPS. The common shares of the Fund and ARPS are the only classes of shares currently authorized by the Fund.

Preferred Shareholders as of the Record Date will be entitled to one vote for each Preferred Share held, and a fractional vote with respect to fractional Preferred Shares, if any, on each matter to which they are entitled to vote, with no cumulative voting rights. Both series of Preferred Shares will vote together as a single class on Item 1 listed on the Notice.

Fifty percent of the Preferred Shares entitled to vote at the Meeting must be represented in person or by proxy to constitute a quorum with respect to Item 1 listed on the Notice. Thirty percent of the Preferred Shares entitled to vote at the Meeting must be represented in person or by proxy to constitute a quorum with respect to a matter unless a higher level is required under the Fund's Agreement and Declaration of Trust, as amended (the Declaration of Trust), the Fund's bylaws, as amended to the date hereof (the Bylaws), or applicable law. Each Preferred Shareholder has the right to revoke such Preferred Shareholder's proxy at any time before the ARPS to which it applies are voted. A proxy may be revoked by filing with the Secretary of the Fund a written revocation or a properly executed proxy bearing a later date or by voting in person at the Meeting. Any shareholder may attend the Meeting, whether or not such Preferred Shareholder has previously given a proxy.

The solicitation of proxies for the Meeting will be made primarily by mail. However, additional solicitation may take place in writing or by telephone or personal interview by officers of the Fund (or their designees), who will not receive compensation from the Fund for such services. In addition, you may receive a telephone call from an employee of the Fund's investment adviser. The Fund will pay D.F. King a fee that is not expected to exceed \$1,000

for distributing proxy materials and vote tracking. However, the exact cost will

depend on the amount and types of services rendered. The Fund will reimburse brokers and other nominees, in accordance with New York Stock Exchange approved reimbursement rates, for their expenses in forwarding solicitation material to the beneficial owners of shares of the Fund. All expenses incurred in connection with the solicitation of proxies, including the services of D.F. King, will be borne by the Fund.

With respect to Item 1, broker non-votes and abstentions of authority to vote, if any, will be counted toward quorum and will have the effect of a vote against the proposal.

In accordance with the rules of the New York Stock Exchange, brokerage firms may vote for (or against) a proposal, on behalf of their clients who beneficially own ARPS and from whom they have not received voting instructions, in the same proportion as votes for (and against) such proposal that have been received from Preferred Shareholders if (i) a minimum of 30% of the outstanding ARPS of the Fund have been voted by the Preferred Shareholders and (ii) less than 10% of the outstanding ARPS have voted against such proposal.

Richard Sennett, Richard Wachterman, and Todd Kuehl, the persons named as proxies on the proxy card accompanying this Proxy Statement, were selected by the Board of Trustees to serve in such capacity. Mr. Sennett is the Principal Financial Officer of the Fund, Mr. Wachterman is Assistant Secretary of the Fund and Mr. Kuehl is the Chief Compliance Officer of the Fund. Each executed and returned proxy will be voted in accordance with the directions indicated thereon or, if no direction is indicated, such proxy will be voted for Item 1 listed on the Notice. Discretionary authority is provided in the proxy as to any matters not specifically referred to therein.

The Board of Trustees is not aware of any other matters which are likely to be brought before the Meeting. However, if any such matters properly come before the Meeting, the persons named in the proxy are fully authorized to vote thereon in accordance with their judgment and discretion. Except where a different vote is required by any provision of law or the Declaration of Trust or Bylaws, a plurality of a quorum of the Shares necessary for the transaction of business at a shareholders meeting will decide any question. Approval of Item 1 in the Notice requires the affirmative vote (i) 67% or more of the ARPS present at the Meeting, if the holders of more than 50% of the ARPS are present or represented by proxy, or (ii) more than 50% of the ARPS, whichever is less.

HOW TO SUBMIT A PROXY

Shareholders of record should complete, sign, and date the proxy card and return it in the prepaid envelope provided.

PROPOSAL 1

Amendments to the Fund's Bylaws authorizing the Fund to borrow money under the conditions set forth in the proposed amendment and changing the definition of the term Lien to exclude liens related to such borrowings.

Overview

The Board of Trustees of the Fund (the Board) has concluded making a tender offer for the ARPS under the terms and conditions summarized below (the Tender Offer) would be in the best interests of the Fund and the holders of its ARPS and common shares. However, in order to accomplish that goal and maintain the Fund's ability to leverage, amendments to the Fund's Bylaws (the Amendments) are required. The Amendments would authorize the Fund to borrow money under certain conditions as long as the aggregate

principal amount of such borrowings does not exceed the aggregate liquidation preference of the number of ARPS that are, or have been, purchased or redeemed by the Fund. The Amendments would have the further effect that liens granted by the Fund on its assets in connection with such borrowings would be disregarded for purposes of the asset coverage maintenance tests under the Bylaws (described further below).

If the proposed Amendments are approved by the Preferred Shareholders, and other conditions are satisfied, the Fund intends to subsequently conduct a Tender Offer for up to 100% of its outstanding ARPS at a price equal to 97% of the liquidation preference of \$25,000 per share of the ARPS (the Liquidation Preference), or \$24,250, plus accrued and unpaid dividends thereon through the expiration of the Tender Offer.

It is expected that the Tender Offer, if commenced, would contain a number of conditions, including a condition related to the Fund's ability to close upon a secured credit facility and borrow a sufficient amount to replace the ARPS accepted in the Tender Offer. Certain other conditions and terms would be set forth in the Fund's tender offer materials when they are filed and become available. Even if the Amendments are approved by Preferred Shareholders, there can be no assurance that the Fund will enter into a definitive credit facility or borrow thereunder or that any ARPS will be purchased, due to market factors or for other reasons, although the Fund presently intends to seek to engage in a Tender Offer and close on a credit facility if the Amendments are approved.

THE FOLLOWING DISCUSSION OF THE TERMS OF THE ARPS AND THE AMENDMENTS IS ONLY A SUMMARY. FOR COMPLETE INFORMATION PLEASE REFER TO THE PROPOSED AMENDMENTS AND DETAILED CURRENT DESCRIPTIONS OF THE ARPS FROM THE BYLAWS, WHICH ARE ATTACHED TO THIS PROXY STATEMENT AS APPENDIXES A AND B, RESPECTIVELY.

Summary Description of Relevant Current Bylaw Provisions and Proposed Amendments

General

Article 12, Section 12.1 of the Bylaws (found at Appendix B to this Proxy Statement) designates and specifies the rights and preferences of the ARPS. It contains no express restriction on the ability of the Fund to engage in a Tender Offer; however there are two provisions that significantly restrict the ability of the Fund to replace the tendered ARPS and associated leverage with a secured credit facility. These two provisions, related to borrowings by the Fund and the asset coverage maintenance tests under the Bylaws, are discussed below. The Fund does not currently intend to proceed with a Tender Offer if the Fund cannot replace the tendered ARPS and associated leverage with a secured credit facility.

Borrowing under the Bylaws

The Bylaws currently significantly limit the situations in which the Fund may borrow while any preferred shares, including the ARPS, are outstanding. Very generally, unless the Fund obtains written confirmation from each of Moody's Corporation (Moody's) and Fitch Ratings Inc. (Fitch together with Moody's, the Rating Agencies) that the rating then assigned by such Rating Agency to the ARPS will not be impaired (each a Rating Confirmation) by the borrowing, the Fund may not borrow money except for the purpose of clearing securities transactions (and then only if specified conditions are satisfied).

The Amendments would authorize the Fund to borrow money from time to time without the Fund obtaining Rating Confirmations as long as the aggregate principal amount of the borrowing under the new

provision of the Bylaws does not exceed the aggregate Liquidation Preference of the number of ARPS that are or have been purchased or redeemed by the Fund from time to time.¹ To date, the Fund has not purchased or redeemed any preferred shares (including any ARPS). The new type of borrowings authorized by the Amendments would be limited to borrowings evidenced by a promissory note or other evidence of indebtedness that is not intended to be publicly distributed, such as a credit facility from a bank.

Changing the restriction on borrowing in the Bylaws in this manner would enable the Fund to replace any tendered (or redeemed) ARPS and the associated leverage by borrowing, as measured by the Liquidation Preference of the ARPS purchased (or redeemed) by the Fund as compared with the principal amount of borrowings for leverage purposes. The cost of leverage to the Fund resulting from borrowing would be expected to differ from the cost of leverage associated with the ARPS, would vary over time and, in many cases, the cost of leverage through borrowing may exceed the cost of leverage through the ARPS. Based on applicable interest rates as of [[]], 2014, the annualized interest rate payable under the currently expected terms of the credit facility would have been greater than the annualized dividend rates then payable on the ARPS in a material way. Preferred Shareholders should note that a Tender Offer at 97% of the Liquidation Preference, plus accrued and unpaid dividends thereon through the expiration of the Tender Offer, the Fund's current intended Tender Offer terms, would be expected to result in accretion to the net asset value of the Fund's common shares following the Tender Offer, due to the fact that the tender price would represent a 3% discount to the Liquidation Preference, plus accrued and unpaid dividends thereon through the expiration of the Tender Offer, of the ARPS.

If the Amendments are approved, the Fund currently intends to seek to conduct the Tender Offer and enter into, and borrow under, a secured credit facility in a principal amount that would approximately correspond to the aggregate Liquidation Preference of the number of ARPS purchased in the Tender Offer. If the Fund engages in a Tender Offer in which it purchases fewer than all of its outstanding ARPS, the end result would be that the Fund would likely have debt and ARPS outstanding simultaneously. The holders of the ARPS who do not tender their shares in such a transaction should expect that the remaining outstanding ARPS would be junior in the Fund's capital structure to the Fund's lender and that the lender would have a security interest in a significant portion of the Fund's assets to secure repayment of the loan.

Asset Coverage Maintenance Tests and Definition of Lien under the Bylaws

The Fund's Bylaws require it to maintain assets having an aggregated discounted value at least equal to the Preferred Shares Basic Maintenance Amount (Maintenance Amount). The Maintenance Amount includes the sum of (a) the aggregate liquidation preference of the preferred shares then outstanding (including the ARPS) and (b) certain accrued and projected payment obligations of the Fund, including, without limitation, any accrued and projected dividends on the preferred shares then outstanding (including the ARPS). There are two Maintenance Amount tests that apply different discount factors, which were determined in coordination with Moody's and Fitch in connection with the receipt of ratings on the ARPS of Aaa and AAA from Moody's and Fitch, respectively. The Maintenance Amount tests, to a degree, mitigate the credit risk of an investment in the ARPS. Satisfying the tests means that, if the Fund's portfolio holdings were to decline in value by amounts corresponding to the applicable discount factors used in the tests, the Fund, in that situation, would still be expected to have assets on hand with an aggregate value at least equal to the aggregate Liquidation Preference of the ARPS plus the payment obligations covered by the tests.

¹ If and when no ARPS are outstanding, due to the tender offer or otherwise, it is expected that Article 12 of the Bylaws, and any related borrowing restriction, would be eliminated, although the Fund would remain subject to restrictions on borrowing under applicable law or any applicable investment policies of the Fund.

The Bylaws currently provide that, with limited exceptions, Fund assets that are encumbered by liens generally may not be counted towards the Maintenance Amount under either Moody's or Fitch's versions of the Maintenance Amount tests. In the event of a Fund liquidation, portfolio assets that are encumbered by liens generally may not be available to satisfy the Fund's payment obligations to the Preferred Shareholders unless and until the party secured by the lien has been paid in full. The Fund expects that any credit facility it enters into as a condition to conducting a Tender Offer would be a secured facility. This means that the Fund would grant the lending bank a lien on a portion of its assets. The amount of the Fund's assets that would be covered by the bank lien would vary depending on several factors, such as the size of the borrowing (which is expected to be greater at greater levels of participation in a Tender Offer), the types of assets in the Fund's portfolio at the time of borrowing, investment decisions regarding the Fund's portfolio and the final terms of the credit facility. Depending on these and other factors, after a Tender Offer and borrowing, and in the absence of the Amendments, it may be more difficult for the Fund to satisfy the Maintenance Amount tests, even if the Maintenance Amounts are reduced as a result of tendered ARPS. To facilitate the borrowing described in the Amendments and any related Tender Offer, the Amendments include a change to the definition of the term "Lien" in the Bylaws. This change would modify the Maintenance Amount tests so that assets encumbered by a lien granted in connection with borrowings authorized by the Amendments count towards the Fund's satisfaction of the tests. This will make the Maintenance Amount tests easier to satisfy, notwithstanding the fact that the lending bank, and not the Preferred Shareholders, would be in a priority position with respect to those encumbered assets in the event of a liquidation of the Fund.

Other than the change in the definition of the term "Lien", the Maintenance Amount tests would not change as a result of the Amendments. For example, if the Amendments are approved, the applicable discount factors, which vary by type of security and credit quality, with the discount level generally increasing as the credit quality of the security becomes lower, would not change for either the Moody's or Fitch version of the Maintenance Amount tests.

Further, the Fund is required by the Bylaws to maintain asset coverage of at least 200% with respect to senior securities that are shares of beneficial interest in the Fund (i.e., the Fund's equity securities), including the ARPS (the 1940 Act Asset Coverage). The required 1940 Act Asset Coverage test is based on the requirement in the Investment Company Act of 1940, as amended (the 1940 Act), that sets forth the minimum amount of asset coverage for senior securities that are shares of stock (within the meaning of the 1940 Act), such as the ARPS, as a condition for the Fund to declare dividends on its common shares. Assets subject to Liens currently count toward the 1940 Act Asset Coverage test in the Bylaws and the statutory minimum level of asset coverage required in order for the Fund to declare dividends on its common shares while the ARPS are outstanding. As a result, the Amendments would not impact the 1940 Act Asset Coverage test in the Bylaws or the statutory requirement.

In addition, the guidelines used by the Rating Agencies to issue securities ratings for the ARPS are separate and distinct from the discount factors that are applied for the amended Maintenance Amount tests, so the guidelines used by the Rating Agencies to issue ratings for the ARPS would not change as a result of the Amendments. Even though the guidelines would not change as a result of the Amendments, the Rating Agencies may take into account the terms of the Bylaws, as amended, including, for example, the terms of the Maintenance Amount tests, when issuing their ratings. As a result, it is possible that one or both Rating Agencies could downgrade the rating of the ARPS if the Amendments are approved, either before or after any Tender Offer.

Potential Impact of the Amendments on Credit Ratings and Dividend Rates of the ARPS

Under market conditions as they existed prior to the first quarter of 2008, distribution rates on the ARPS for each applicable dividend rate period generally were set at the market clearing rate determined through an auction process maintained and administered by unaffiliated broker-dealers that brought together bidders, who sought to buy ARPS, and Preferred Shareholders, who sought to sell their ARPS. The terms of the ARPS generally provide that, if an auction fails to establish a market clearing rate (because of an imbalance of sell orders over bids), the distribution payment rate over the next distribution period is set at the Maximum Rate and holders will continue to hold their ARPS. A failed auction is not a default under the terms of the ARPS. In the case of a failed auction, the Fund continues to pay distributions, but at the specified Maximum Rate rather than at a market clearing rate.

Consistent with patterns in the broader market for auction rate securities, beginning in mid-February 2008, each auction of the ARPS has not attracted sufficient clearing bids for there to be a successful auction. As a result, the Maximum Rate has been triggered.

As a result of ARPS auction failures, the Fund currently pays dividends on the ARPS at the Maximum Rate under the Bylaws. Based on current ratings of the ARPS by Moody's and Fitch of [[Aa3]] and [[A,]] respectively, the Fund pays dividends at an annualized rate that is [[200%]] of the reference rate, which is, generally speaking, the applicable AA commercial paper rate described in the Bylaws. As of [[March 14, 2014]], the dividend rates on the Series M and Series W ARPS were [[0.060%]] and [[0.140%]], respectively. If the ARPS were to be downgraded, including as a result of the Amendments or Tender Offer, and auctions continue to fail, as expected, the dividend rates payable on the ARPS could increase if the lower of the two ratings of the ARPS issued by the Rating Agencies corresponds to a greater applicable percentage than 200%, as shown in the table below excerpted from the Bylaws.

Credit Ratings		Applicable Percentage:
Moody's	Fitch	
Aa3 or higher	AA- or higher	150%
A3 to A1	A- to A+	200%
Baa3 to Baa1	BBB- to BBB+	225%
Below Baa3	Below BBB-	275%

See the Bylaws at Appendix B for additional detail regarding how the maximum rate is determined.

The foregoing provides only a summary of key aspects of the Amendments and is qualified in its entirety by reference to applicable sections of the Fund's Bylaws, as they are proposed to be amended by the Amendments, included as Appendixes A and B to this Proxy Statement.

BOARD RECOMMENDATION

THE BOARD, INCLUDING THE INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF THE FUND VOTE FOR THE PROPOSED AMENDMENTS TO THE FUND'S BYLAWS

Basis for the Board's Recommendation

Based on input and recommendations from the Fund's investment adviser, the Board has approved the proposed Amendments as being in the best interests of the Fund and its shareholders, and recommends the

same for approval by the Preferred Shareholders. The proposed Amendments are necessary to facilitate the Fund's proposed purchase of ARPS, which the Board believes is in the best interests of the Fund's common and preferred shareholders. The proposed purchase of ARPS is in the interests of the Preferred Shareholders because it provides them with liquidity and it is in the interests of the common shareholders because the discounted price at which the purchase likely would be conducted would likely benefit the Fund and preserve for common shareholders the potential benefits from the Fund employing leverage.

If less than 100% of the ARPS are tendered in a Tender Offer, the Fund would continue to operate after its Tender Offer with both ARPS and any related credit facility outstanding. In the absence of the proposed Amendments, the existing Bylaw provisions regarding the effect of liens on securities on the calculation of the Maintenance Amount tests could unduly burden and restrict the efficient management of the Fund's portfolio, with potential adverse effects on the Fund's investment performance and asset value.

The Board took into account that, while the proposed Amendments would change the calculation of the Maintenance Amount tests to allow securities subject to credit facility liens granted as a result of borrowing authorized by the Amendments to be included in the Maintenance Amounts, the Fund would continue to be subject to the 1940 Act Asset Coverage test and related statutory requirements, which remain unchanged.

The Board also took into account that the proposed Amendments would change the calculation of the Maintenance Amounts to allow securities subject to covered credit facility liens to be included in the calculation of the Maintenance Amounts, which could result in the downgrading of the ARPS by Fitch and/or Moody's and that any resultant downgrades could result in a Fund paying dividends at higher rates to its Preferred Shareholders, thereby increasing the costs of leverage to the Fund and reducing returns to the Fund's common shareholders and/or resulting modifications to the Fund's investment processes that the investment adviser would not otherwise effect.

The Board took into account that the proposed Amendments would allow an asset to be considered an eligible asset for the calculation of the Maintenance Amounts under the Moody's and Fitch tests, notwithstanding that the asset is subject to a lien, resulting in higher calculated eligible asset amounts than if the proposed Amendments were not adopted.

The Fund is seeking approval of the Amendments as part of an effort to provide liquidity to Preferred Shareholders and a potential benefit to common shareholders, while preserving Fund's ability to maintain its investment leverage. The Amendments and expected related Tender Offer and borrowing are expected to facilitate the Fund achieving these objectives.

This proxy statement is not an offer to purchase or a solicitation of an offer to sell ARPS of the fund. The fund has not yet commenced any tender offer described in this proxy statement. Upon commencement, if any, of a tender offer the fund would file with the Securities and Exchange Commission a tender offer statement on Schedule TO and related exhibits, including an offer to purchase, a related letter of transmittal and other related documents, and the tender offer documents, when available, would be mailed by the fund to holders of the ARPS. Holders of the ARPS would be able to obtain the tender offer documents free of charge when they are filed and become available on the Securities and Exchange Commission's website at www.sec.gov. In addition, the fund would make available to its ARPS holders, without charge, additional copies of the offer to purchase and related letter of transmittal. ARPS holders should read these documents and related exhibits for the fund when they are filed and become available as the documents would contain important information about the fund's tender offer, if any.

Required Vote

Approval of this Proposal requires the affirmative vote of (i) 67% or more of the ARPS present at a meeting, if the holders of more than 50% of such shares are present or represented by proxy, or (ii) more than 50% of such shares, whichever is less.

FUND INFORMATION

This section provides certain information about the Fund, including information about its investment adviser and administrator and the identity of persons holding more than 5% of the outstanding shares of any class of the Fund.

INFORMATION CONCERNING THE INVESTMENT ADVISER, SUBADVISERS AND ADMINISTRATOR

The Fund's investment adviser, Western Asset Management Company, and subadvisers, Western Asset Management Company Limited (Western London), Western Asset Management Company Pte. Ltd. (Western Singapore) and Western Asset Management Company Ltd. (Western Japan) are subsidiaries of Legg Mason, Inc., a holding company which, through its subsidiaries, is engaged in providing investment advisory services to individuals and institutions. The address of Legg Mason, Inc. is 100 International Drive, Baltimore, Maryland 21202. Western Asset Management Company's address is 385 East Colorado Boulevard, Pasadena, California 91101. Western London's address is 10 Exchange Square, London, England EC2A2EN. Western Singapore's address is 1 George Street #23-01, Singapore 049145. Western Japan's address is 36F Shin-Marunouchi Building, 5-1 Marunouchi 1-Chome Chiyoda-Ku, Tokyo 100-6536, Japan. An affiliate of the Investment Adviser, LMPFA, 620 Eighth Avenue, New York, NY 10018, provides administrative services to the Fund.

SHAREHOLDER PROPOSALS FOR 2014 ANNUAL MEETING

Proposals that shareholders wish to present to the 2014 Annual Meeting and to have included in the Fund's proxy materials relating to such meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the 1934 Act), must have been delivered to the Secretary of the Fund by December 23, 2013 (i.e., at least 120 days before April 22, 2014), unless the 2014 Annual Meeting is held more than 30 days from the prior year's meeting, in which case the deadline is a reasonable time before the Fund begins to print and send its proxy materials for the annual meeting.

Shareholders who wish to make a proposal at the 2014 Annual Meeting other than one that will be included in the Fund's proxy materials and that does not propose one or more nominees for election as Trustees or propose to fix the number of Trustees should have notified the Fund by March 8, 2014 (i.e., at least 45 days before April 22, 2014). Shareholders who wish to propose one or more nominees for election as Trustees, or to make a proposal fixing the number of Trustees, at the 2014 Annual Meeting must have provided written notice to the Fund (including all required information) so that such notice was received in good order by the Fund neither earlier than February 21, 2014 nor later than March 23, 2014 (i.e., neither more than 90 days prior to May 22, 2014 nor less than 60 days prior to May 22, 2014). If the 2014 Annual Meeting is not scheduled to be held on a date that is within thirty (30) days before or after the anniversary date of the 2013 Annual Meeting, such notice must be received no later than the close of business on the tenth (10th) day following the earlier of the date on which notice of the date of the 2014 Annual Meeting was mailed and the date on which public announcement of the date of the 2014 Annual Meeting was first made.

The proper submission of a shareholder proposal does not guarantee that it will be included in the Fund's proxy materials or presented at a shareholder meeting. Shareholder proposals are subject to the requirements of applicable law and the Fund's Declaration of Trust and Bylaws.

SHARE OWNERSHIP INFORMATION

As of March 20, 2014, all Trustees and officers of the Fund as a group beneficially owned less than 1% of the outstanding Shares of the Fund on such date. As of the Record Date, Cede & Co., as nominee for participants in The Depository Trust Company, held of record [11,845,744] Common Shares (representing approximately [99.67%] of the outstanding Common Shares) and all 2,880 outstanding Preferred Shares. Cede & Co.'s address is 55 Water Street, 25th Floor, New York, New York 10041-0001. As of the Record Date, the persons shown in the table below owned, to the knowledge of the Fund, beneficially more than five percent of the class of the outstanding Shares.

Shareholder Name and Address	Share Holdings	Percentage Owned
PREFERRED SHARES⁽¹⁾		
Citigroup Global Markets Inc. (CGM), Citigroup Global Markets Holdings Inc. (CGM Holdings), Citigroup Financial Products Inc. (CFP) 388 Greenwich Street, New York, NY 10013 and Citigroup Inc. (Citigroup) 399 Park Avenue, New York, NY 10043 ⁽³⁾	227 ⁽²⁾	7.9%
Bank of America Corporation 101 South Tryon	1,969 ⁽²⁾	68.4%

Street, Charlotte, North

Carolina 28255,

Bank of America, N.A.

101 South Tryon

Street, Charlotte, North

Carolina 28255 and

Blue Ridge

Investments, LLC

214 North Tryon Street,

Charlotte, North

Carolina 28255⁽⁵⁾

RiverNorth Capital

149⁽⁹⁾

5.2%

Management, LLC

325 N. LaSalle Street

Suite 645

Chicago, IL

60654-7030

Shareholder Name and Address	Share Holdings	Percentage Owned
COMMON SHARES		
Sit Investment	372,500 ⁽⁴⁾	[]
Associates, Inc.		
3300 IDS Center, 80		
South Eighth Street,		
Minneapolis, MN		
55402 ⁽⁶⁾		
First Trust Portfolios	2,366,425 ⁽⁷⁾	[] ⁸
L.P., First Trust		
Advisors L.P. and		
The Charger		
Corporation		
120 East Liberty Drive,		
Suite 400, Wheaton, IL		
60187 ⁽⁸⁾		

(1) The number of shares reported represents combined holdings in multiple series of auction rate preferred securities of the Fund, which are treated in the Schedule 13G as one class of securities in accordance with the Securities and Exchange Commission's Auction Rate Securities Global Exemptive Relief no-action letter issued on September 22, 2008.

(2) Shares are held with shared voting power and shared dispositive power.

(3) Based on information obtained from a Schedule 13G filed with the Securities and Exchange Commission on February 3, 2010 and the number of shares outstanding as of the Record Date. CFP is the sole stockholder of CGM. CGM Holdings is the sole stockholder of CFP. Citigroup is the sole stockholder of CGM Holdings.

(4) Shares are held with sole voting power and sole dispositive power.

(5)

Shares are held with shared voting power and shared dispositive power and include the holdings of affiliated companies, Bank of America, N.A., and Blue Ridge Investments, LLC, as reported in the joint Schedule 13D filed by the parties on January 11, 2011.

- (6) Based on information obtained from a Schedule 13G filed with the Securities and Exchange Commission on January 15, 2010 and the number of shares outstanding as of the Record Date. Sit Investment Associates, Inc. is the investment advisor for twelve mutual funds, on whose behalf it holds the shares reported.
- (7) Shares are held with shared dispositive power and without voting power. Shares are voted by the trustee of such unit investment trusts so as to insure that the shares are voted as closely as possible in the same manner and in the same general proportion as are the shares held by owners other than such unit investment trusts. See footnote 8 below.
- (8) Based on information obtained from a Schedule 13G/A filed with the Securities and Exchange Commission on January 29, 2014 and the number of shares outstanding as of the Record Date. First Trust Portfolios L.P. is the sponsor of several unit investment trusts which hold common shares of the Fund. No unit investment trust sponsored by First Trust Portfolios L.P. holds 3% or more of the Fund's common shares. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P. and acts as portfolio supervisor of the unit investment trusts which hold common shares of the Fund. The Charger Corporation is the general partner of both First Trust Portfolios L.P.
- (9) Based on information obtained from a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2014 and the number of shares outstanding as of the Record Date.

ANNUAL REPORT TO SHAREHOLDERS

The Fund's Annual Report to Shareholders for the fiscal year ended December 31, 2013 contains financial and other information pertaining to the Fund. The Fund will furnish without charge to each person whose proxy is being solicited, upon request of such person, a copy of the Annual Report to Shareholders. Requests for copies of the Annual Report to Shareholders should be directed to Western Asset Premier Bond Fund, Attention: Investor Relations, 385 E. Colorado Boulevard, Pasadena, California 91101 or you may call 866-290-4386.

ADJOURNMENT

In the absence of a quorum at the Meeting with respect to one or more proposals, or (even if a quorum is so present) if sufficient votes in favor of a proposal set forth in the Notice of Special Meeting are not received by the time scheduled for the Meeting, the Chairman of the Meeting or persons named as proxies may propose one or more adjournments of the Meeting to a date after the date set for the original Meeting, with no other notice than announcement at the Meeting, to permit further solicitation of proxies with respect to such proposal. In addition, if, in the judgment of the persons named as proxies, it is advisable to defer action on a proposal, the Chairman of the Meeting or the persons named as proxies may propose one or more adjournments of the Meeting with respect to such proposal for a reasonable time. Any adjournment(s) put to a shareholder vote with respect to a proposal will require the affirmative vote of a plurality of the Shares of the Fund entitled to vote thereon present in person or represented by proxy at the session of the Meeting to be adjourned. It is the intention of the persons designated in the enclosed proxy to vote in accordance with their best judgment on any adjournment(s) put to a shareholder vote with respect to one or more proposals. The Chairman of the Meeting may also adjourn the Meeting in his or her discretion, without a shareholder vote. The costs of any additional solicitation and of any adjourned session will be borne by the Fund. Any proposals for which sufficient favorable votes have been received by the time of the Meeting may be acted upon and, if so, such action will be final regardless of whether the Meeting is adjourned to permit additional solicitation with respect to any other proposal. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

OTHER BUSINESS

The Fund is not aware of any other matters to be presented for action at the Meeting. However, if any such other matters are properly presented, it is the intention of the persons designated in the enclosed proxy to vote in accordance with their best judgment.

By Order of the Board of Trustees

Robert I. Frenkel,

Secretary

Xxxxx xx, 2014

APPENDIX A

WESTERN ASSET PREMIER BOND FUND

PROPOSED BY-LAW CHANGES REGARDING BORROWING

[Definitions]

(fff) Lien shall mean any material lien, mortgage, pledge, security interest or security agreement of any kind, but shall not include (i) assets segregated on the Trust's books for regulatory or other reasons or (ii) any lien, mortgage, pledge, security interest or security agreement of any kind in connection with any borrowing by the Fund that is permitted by paragraph 10(c) of this Part I.

[Paragraph 10]

(c) For so long as any Preferred Shares are outstanding and Moody's or Fitch is, or both are, rating such shares, the Trust will not, unless it has received written confirmation from Moody's or Fitch or both, as applicable, that any such action would not impair the rating then assigned by such Rating Agency to such shares, engage in any one or more of the following transactions:

- i. borrow money, except that the Trust may, without obtaining the written confirmation described above, ~~borrow money for the purpose of clearing securities transactions if:~~

(1) for the purpose of clearing securities transactions if

(A) the Preferred Shares Basic Maintenance Amount would continue to be satisfied after giving effect to such borrowing and

(B) such borrowing:

(I) is privately arranged with a bank or other person and is evidenced by a promissory note or other evidence of indebtedness that is not intended to be publicly distributed; or

(II) is for temporary purposes, is evidenced by a promissory note or other evidence of indebtedness and is in an amount not exceeding 5% of the value of the total assets of the Trust at the time of the borrowing (for purposes of the foregoing, temporary purposes means that the borrowing is to be repaid within sixty days and is not to be extended or renewed); or

(2) if the borrowing is evidenced by a promissory note or other evidence of indebtedness that is not intended to be publicly distributed; provided, however, that the aggregate principal amount of borrowings from time to time permitted by this paragraph 10(c)(i)(2) shall not exceed the aggregate Liquidation Preference of the number of Preferred Shares that are or have been purchased or redeemed

by the Trust from time to time:

- ii. except as provided in paragraph 4 of this Part I, issue additional shares of any series of Preferred Shares or any class or series of shares ranking prior to or on a parity with Preferred Shares with respect to the payment of dividends or the distribution of assets upon dissolutions, liquidation or winding up of the Trust, or reissue any Preferred Shares previously purchased or redeemed by the Trust;

- iii. engage in any short sales of securities;

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- iv. lend securities;
- v. merge or consolidate into or with any other corporation or entity;
- vi. change the Pricing Service; or
- vii. enter into reverse repurchase agreements.

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APPENDIX B

WESTERN ASSET PREMIER BOND FUND

BYLAWS ARTICLE 12

Shares of Beneficial Interest

12. The Trust has an unlimited number of Common Shares, without par value, which may be issued from time to time by the Trustees.

12.1 Statement Creating Two Series of Taxable Preferred Shares.

DESIGNATION

SERIES M: A series of 1,440 shares of preferred shares of beneficial interest, without par value, liquidation preference \$25,000 per share plus accumulated but unpaid dividends, if any, thereon (whether or not earned or declared), is hereby designated Series M Taxable Auction Market Preferred Shares and is referred to below as Series M. Each of the 1,440 shares of Series M issued on September 20, 2002 shall, for purposes hereof, be deemed to have a Date of Original Issue of September 20, 2002; have an Applicable Rate for its Initial Rate Period equal to 1.95% per annum; have an initial Dividend Payment Date of October 1, 2002; and have such other preferences, voting powers, terms of redemption and special or relative rights or privileges, in addition to those required by applicable law or set forth in the Declaration of Trust, as amended and restated, applicable to Series M, as set forth in Part I and Part II of this Article 12. Any shares of Series M issued thereafter shall be issued on the first day of a Rate Period of the then outstanding shares of Series M, shall have, for such Rate Period, an Applicable Rate equal to the Applicable Rate for shares of such series established in the first Auction for shares of such series preceding the date of such issuance; and shall have such other preferences, voting powers, terms of redemption and special or relative rights or privileges, in addition to those required by applicable law or set forth in the Declaration of Trust applicable to Series M, as set forth in Part I and Part II of this Article 12. The Series M shall constitute a separate series of preferred shares of beneficial interest of the Trust, and each share of Series M shall be identical except as provided in this Section 12.1.

SERIES W: A series of 1,440 shares of preferred shares, of beneficial interest without par value, liquidation preference \$25,000 per share plus accumulated but unpaid dividends, if any, thereon (whether or not earned or declared), is hereby designated Series W Taxable Auction Market Preferred Shares and is referred to below as Series W, and, together with Series M, the Preferred Shares. Each of the 1,440 shares of Series W issued on September 20, 2002 shall, for purposes hereof, be deemed to have a Date of Original Issue of September 20, 2002; have an Applicable Rate for its Initial Rate Period equal to 1.95% per annum; have an initial Dividend Payment Date of October 17, 2002; and have such other preferences, voting powers, terms of redemption and special or relative rights or privileges, in addition to those required by applicable law or set forth in the Declaration of Trust, as amended and restated, applicable to Series W, as set forth in Part I and Part II of this Article 12. Any shares of Series W issued thereafter shall be issued on the first day of a Rate Period of the then outstanding shares of Series W, shall have, for such Rate Period, an Applicable Rate equal to the Applicable Rate for shares of such series established in the first Auction for shares of such series preceding the date of such issuance; and shall have such other preferences, voting powers, terms of redemption and special or relative rights or privileges, in addition to those required by applicable law or set forth in the Declaration of Trust applicable to Series W, as set forth in Part I and Part II of this Article 12. The Series W shall constitute a separate series of preferred shares of beneficial interest of the Trust, and each share of Series W shall be identical except as provided in this Section 12.1.

DEFINITIONS

As used in Parts I and II of this Section 12.1, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires:

- (a) **AA Financial Composite Commercial Paper Rate**, on any date for any Rate Period of shares of a series of Preferred Shares, shall mean (i) (A) in the case of any Rate Period of 7 Rate Period Days or fewer, the interest equivalent of the 7-day rate and, in the case of any Rate Period of eight or more but fewer than 49 Rate Period Days, the interest equivalent of the 30-day rate; provided, however, that if such Rate Period is a Minimum Rate Period and the AA Financial Composite Commercial Paper Rate is being used to determine the Applicable Rate for shares of such series when all of the Outstanding shares of such series are subject to Submitted Hold Orders, then the interest equivalent of the 7-day rate in the case of Series M and the interest equivalent of the 30-day rate in the case of Series W, and (B) in the case of any Special Rate Period of (1) 49 or more but fewer than 70 Rate Period Days, the interest equivalent of the 60-day rate, (2) 70 or more but fewer than 85 Rate Period Days, the arithmetic average of the interest equivalent of the 60-day and 90-day rates, (3) 85 or more but fewer than 99 Rate Period Days, the interest equivalent of the 90-day rate, (4) 99 or more but fewer than 120 Rate Period Days, the arithmetic average of the interest equivalent of the 90-day and 120-day rates, (5) 120 or more but fewer than 141 Rate Period Days, the interest equivalent of the 120-day rate, (6) 141 or more but fewer than 162 Rate Period Days, the arithmetic average of the 120-day and 180-day rates, and (7) 162 or more but fewer than 183 Rate Period Days, the interest equivalent of the 180-day rate, in each of the above cases on commercial paper placed on behalf of issuers whose corporate bonds are rated AA by S&P or the equivalent of such rating by S&P or another Rating Agency, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day next preceding such date; or (ii) in the event that the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers to the Auction Agent for the close of business on the Business Day next preceding such date. If any Commercial Paper Dealer does not quote a rate required to determine the AA Financial Composite Commercial Paper Rate, the AA Financial Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers selected by the Trust to provide such rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or, if the Trust does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or remaining Commercial Paper Dealers. For purposes of this definition, the interest equivalent of a rate stated on a discount basis (a discount rate) for commercial paper of a given number of days maturity shall be equal to the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (A) the discount rate divided by (B) the difference between (x) 1.00 and (y) a fraction, the numerator of which shall be the product of the discount rate times the number of days until such commercial paper matures and the denominator of which shall be 360.
- (b) **Accountant's Confirmation** shall have the meaning specified in paragraph 6(c) of Part I of this Section 12.1.
- (c) **Affected Series** shall have the meaning specified in paragraph 4(c)(i) of Part I of this Section 12.1.

- (d) **Affiliate** shall mean, for purposes of the definition of **Outstanding**, any Person known to the Auction Agent to be controlled by, in control of or under common control with the Trust; provided, however, that no Broker-Dealer controlled by, in control of or under common control with the Trust shall be deemed to be an Affiliate, nor shall any corporation or any Person controlled by, in control of or under common control with such corporation one of the trustees, directors or executive officers of which is a Trustee be deemed to be an Affiliate solely because such trustee, director or executive officer is also a Trustee.
- (e) **Agent Member** shall mean a member of or participant in the Securities Depository that will act on behalf of a Bidder.
- (f) **All Hold Rate** means the 7-day **AA** Financial Composite Commercial Paper Rate in the case of Series M, and the 30-day **AA** Financial Composite Commercial Paper Rate in the case of Series W.
- (g) **Annual Valuation Date** shall mean the last Business Day of each April of each year.
- (h) **Applicable Rate** shall have the meaning specified in paragraph 2(e)(i) of Part I of this Section 12.1.
- (i) **Approved Foreign Nations** shall have the meaning set forth in paragraph (iv) of the definition of **Fitch Eligible Assets**.
- (j) **Approved Price** means the fair value as determined by the Trust in accordance with the valuation procedures adopted from time to time by the Trustees and for which the Trust receives a mark-to-market price (which, for the purpose of clarity, shall not mean Market Value) from an independent source at least semi-annually.
- (k) **Auction** shall mean each periodic implementation of the Auction Procedures.
- (l) **Auction Agent** shall mean the entity appointed as such by a resolution of the Trustees in accordance with paragraph 5 of Part II of this Section 12.1.
- (m) **Auction Date**, with respect to any Rate Period, shall mean the Business Day next preceding the first day of such Rate Period.
- (n) **Auction Procedures** shall mean the procedures for conducting Auctions set forth in Part II of this Section 12.1.
- (o) **Available Preferred Shares** shall have the meaning specified in paragraph 3(a) of Part II of this Section 12.1.
- (p) **Bank Loans** shall mean direct purchases of, assignments of, participations in and other interests in (a) any bank loan or (b) any loan made by an investment bank, investment fund or other financial institution, provided that such loan under this clause (b) is similar to those typically made, syndicated, purchased or participated by a commercial bank or institutional loan investor in the ordinary course of business.
- (q) **Beneficial Owner**, with respect to shares of a series of Preferred Shares, means a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder of shares of such series.

- (r) Bid and Bids shall have the respective meanings specified in paragraph 1(a) of Part II of this Section 12.1.
- (s) Bidder and Bidders shall have the respective meanings specified in paragraph 1(a) of Part II of this Section 12.1; provided, however, that neither the Trust nor any affiliate thereof shall be permitted to be a Bidder in an Auction, except that any Broker-Dealer that is an affiliate of the Trust may be a Bidder in an Auction, but only if the Orders placed by such Broker-Dealer are not for its own account.
- (t) Brady Bonds shall mean securities created through the exchange of existing commercial bank loans to sovereign entities for new obligations in connection with a debt restructuring under a plan introduced by former U.S. Secretary of the Treasury Nicholas F. Brady.
- (u) Broker-Dealer shall mean any broker-dealer, commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer in Part II of this Section 12.1, that is a member of, or a participant in, the Securities Depository or is an affiliate of such member or participant, has been selected by the Trust and has entered into a Broker-Dealer Agreement that remains effective.
- (v) Broker-Dealer Agreement shall mean an agreement between the Auction Agent on behalf of the Trust and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures specified in Part II of this Section 12.1.
- (w) Business Day shall mean a day on which the New York Stock Exchange is open for trading and which is neither a Saturday nor a Sunday nor any other day on which banks in The City of New York, New York, are authorized by law to close.
- (x) Canadian Bonds shall have the meaning set forth in paragraph (iv) of the definition of Fitch Eligible Assets.
- (y) Closing Transactions shall have the meaning specified in paragraph 10(a)(i)(A) of Part I of this Section 12.1.
- (z) CMOs shall have the meaning set forth in paragraph (viii) of the definition of Moody's Eligible Assets below.
- (aa) Code means the Internal Revenue Code of 1986, as amended.
- (bb) Commercial Paper Dealers shall mean Lehman Commercial Paper Incorporated, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and any other commercial paper dealer selected by the Trust as to which Moody's, Fitch or any substitute Rating Agency then rating the Preferred Shares shall not have objected or, in lieu of any thereof, their respective affiliates or successors, if such entity is a commercial paper dealer.
- (cc) Common Shares shall mean the common shares of beneficial interest of the Trust.
- (dd) Corporate Debt Securities shall have the meaning set forth in paragraph (iv) of the definition of Fitch Eligible Assets.
- (ee) Cure Date shall mean the Preferred Shares Basic Maintenance Cure Date or the 1940 Act Cure Date, as the case may be.
- (ff) Date of Original Issue, with respect to shares of a series of Preferred Shares, shall mean the date on which the Trust initially issued such shares.

- (gg) Declaration of Trust shall mean the Trust's Agreement and Declaration of Trust in effect from time to time.
- (hh) Deposit Securities shall mean cash and portfolio securities rated at least A2 (having a remaining maturity of 12 months or less), P-1, VMIG-1 or MIG-1 by Moody's or A (having a remaining maturity of 12 months or less), A1 or F-1 by Fitch.
- (ii) Discounted Value, as of any Valuation Date, shall mean (i) with respect to a Fitch Eligible Asset or Moody's Eligible Asset that is not currently callable as of such Valuation Date at the option of the issuer thereof, the quotient of the Market Value thereof divided by the Fitch Discount Factor for a Fitch Eligible Asset or the Moody's Discount Factor for a Moody's Eligible Asset; or (ii) with respect to a Fitch Eligible Asset or Moody's Eligible Asset that is currently callable as of such Valuation Date at the option of the issuer thereof, the quotient of (1) the lesser of the Market Value and call price thereof divided by (2) the Fitch Discount Factor for Fitch Eligible Assets or the Moody's Discount Factor for Moody's Eligible Assets.
- (jj) Dividend Payment Date, with respect to shares of a series of Preferred Shares, shall mean any date on which dividends are payable on shares of such series pursuant to the provisions of paragraph 2(d) of Part I of this Section 12.1.
- (kk) Dividend Period, with respect to shares of a series of Preferred Shares, shall mean the period from and including the Date of Original Issue of shares of such series to but excluding the initial Dividend Payment Date for shares of such series and any period thereafter from and including one Dividend Payment Date for shares of such series to but excluding the next succeeding Dividend Payment Date for shares of such series.
- (ll) Existing Holder, with respect to shares of a series of Preferred Shares, shall mean a Broker-Dealer (or any such other Person as may be permitted by the Trust) that is listed on the records of the Auction Agent as a holder of shares of such series.
- (mm) Exposure Period shall mean the period commencing on a given Valuation Date and ending 49 days thereafter.
- (nn) Failure to Deposit, with respect to shares of a series of Preferred Shares, shall mean a failure by the Trust to pay to the Auction Agent, not later than 12:00 Noon, New York City time, (A) on the Business Day next preceding any Dividend Payment Date for shares of such series, in funds available on such Dividend Payment Date in The City of New York, New York, the full amount of any dividend (whether or not earned or declared) to be paid on such Dividend Payment Date on any share of such series or (B) on the Business Day next preceding any redemption date in funds available on such redemption date for shares of such series in The City of New York, New York, the Redemption Price to be paid on such redemption date for any share of such series after Notice of Redemption is mailed pursuant to paragraph 8(c) of Part I of this Section 12.1; provided, however, that the foregoing clause (B) shall not apply to the Trust's failure to pay the Redemption Price in respect of Preferred Shares when the related Notice of Redemption provides that redemption of such shares is subject to one or more conditions precedent and any such condition precedent shall not have been satisfied at the time or times and in the manner specified in such Notice of Redemption.
- (oo) FFCB, FHLB, FHLMC and FNMA shall have the respective meanings set forth in paragraph (viii) of the definition of Moody's Eligible Assets below.

(pp) FHLB, FNMA and FFCB Debentures shall have the meaning set forth in paragraph (viii) of the definition of Moody's Eligible Assets below.

(qq) Fitch shall mean Fitch Ratings and its successors.

(rr) Fitch Discount Factor shall mean, for purposes of determining the Discounted Value of any Fitch Eligible Asset, the percentage determined as follows. The Fitch Discount Factor for any Fitch Eligible Asset other than the securities set forth below will be the percentage provided in writing by Fitch.

(i) Corporate Debt Securities: The percentage determined by reference to the rating of the Corporate Debt Security in accordance with the table set forth below.

Term to Maturity of Corporate Debt Security⁽¹⁾	AAA	AA	A	BBB	BB	Not Rated or Below BB
3 years or less	106.38%	108.11%	109.89%	111.73%	129.87%	151.52%
5 years or less (but longer than 3 years)	111.11%	112.99%	114.94%	116.96%	134.24%	151.52%
7 years or less (but longer than 5 years)	113.64%	115.61%	117.65%	119.76%	135.66%	151.52%
10 years or less (but longer than 7 years)	115.61%	117.65%	119.76%	121.95%	136.74%	