NORDSON CORP
Form DEF 14A
January 16, 2009

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

Filed by the Registrant x

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Check the appropriate box:

o Preliminary Proxy Statement

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NORDSON CORPORATION
(Name of Registrant as Specified in Its Charter)

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Notice of 2009
Annual Meeting
and Proxy Statement

Edward P. Campbell
Chairman, President and
Chief Executive Officer

January 16, 2009

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders to be held at the Spitzer Conference Center, 1005 North Abbe Road, Elyria, Ohio, at 9:30 a.m. on Tuesday, February 17, 2009. We hope that you will be able to attend.

The Notice of Annual Meeting of Shareholders and the Proxy Statement, which are included in this booklet, describe the matters to be acted upon at the meeting. Regardless of the number of shares you own, your vote on these matters is important. Whether or not you plan to attend the meeting, I urge you to vote your shares by telephone, the Internet or by mail. Instructions regarding all three methods of voting accompany your proxy card. If you later decide to vote in person at the meeting, you will have an opportunity to revoke your proxy and vote by ballot.

I look forward to seeing you at the meeting.

Sincerely,

EDWARD P. CAMPBELL
Chairman, President and
Chief Executive Officer

NORDSON CORPORATION

**NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS**

The Annual Meeting of Shareholders of Nordson Corporation will be held at the Spitzer Conference Center, 1005 North Abbe Road, Elyria, Ohio, at 9:30 a.m. on Tuesday, February 17, 2009. The purposes of the meeting are:

1. To elect the five directors recommended by the Board of Directors to the class whose term expires in 2012;

2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2009 ; and

3. To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on December 26, 2008 are entitled to notice of and to vote at the meeting.

For the Board of Directors

ROBERT E. VEILLETTE
Vice President, General Counsel
and Secretary

January 16, 2009

NORDSON CORPORATION

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of Proxies by the Board of Directors of Nordson Corporation to be used at the Annual Meeting of Shareholders to be held on February 17, 2009 and any adjournment or postponement of that meeting. The time, place and purposes of the Annual Meeting are stated in the Notice of Annual Meeting of Shareholders that accompanies this proxy statement.

The accompanying proxy is solicited by our Board of Directors. All validly executed proxies received by our Board of Directors pursuant to this solicitation will be voted at the Annual Meeting, and the directions contained in such proxies will be followed. If no directions are given, the proxy will be voted (i) FOR the election of the five nominees listed on the proxy; and (ii) FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2009.

This proxy statement will inform you about the matters to be acted upon at the meeting.

If you are a shareholder of record, you may vote in one of the following three ways whether or not you plan to attend the Annual Meeting: (1) by completing, signing and dating the accompanying proxy card and returning it in the enclosed postage-prepaid envelope, (2) by completing your proxy using the toll-free telephone number listed on the proxy card, or (3) by completing your proxy on the Internet at the address listed on the proxy card. It is important that you vote your shares whether or not you attend the meeting in person. If you attend the Annual Meeting, you may vote in person even if you have previously returned your proxy card or completed your proxy by phone or on the Internet. Shares represented by proxy will be voted in accordance with the instructions you provide to the individuals named on the proxy. If you provide no instructions, the shares will be voted to elect the nominees listed below whose term expires in 2012 and for Proposal 2 described in this proxy statement. The proxies cannot be voted for a greater number of persons than the number of nominees. You may revoke your proxy before it is voted by giving notice to us in writing or orally at the meeting. However, your presence at the Annual Meeting, without any further action on your part, will not revoke your previously granted proxy.

If you participate in our 401(k) plan and/or our Employee Stock Ownership Plan (ESOP), you may vote the amount of shares credited to your account as of the record date for the Annual Meeting. You may vote by instructing New York Life Investment Management, the trustee of the 401(k) and ESOP plans, pursuant to the instruction card being delivered with this proxy statement to plan participants. The trustee will vote your shares in accordance with your duly executed instructions if received in a timely manner. If you do not send timely instructions, the non-voted whole and fractional shares will be voted by the trustee in the same proportion that it votes the whole and fractional shares for which it did receive timely voting instructions.

No matter what method you ultimately decide to use to vote your shares, we urge you to vote promptly.

Even after you have submitted your proxy card, you may change your vote at any time before the proxy is exercised by filing either a notice of revocation or a duly executed proxy bearing a later date with our Corporate Secretary; however, no such revocation or subsequent proxy will be effective unless and until written notice of the revocation or subsequent proxy is received by us at or prior to the Annual Meeting.

For 401(k) and ESOP shares, you may revoke previously given voting instructions on or before February 10, 2009 by filing either a written notice of revocation or a properly completed and signed voting instruction card bearing a later date with the trustee.

This proxy statement and the enclosed proxy card are being mailed to shareholders on or about January 16, 2009. Nordson s executive offices are located at 28601 Clemens Road, Westlake, Ohio 44145, telephone number (440) 892-1580.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on February 17, 2009:

The proxy statement, proxy card and annual report to shareholders for the fiscal year ended October 31, 2008 are available at our website: *www.nordson.com.*

INFORMATION ABOUT THE ANNUAL MEETING

Voting at the Meeting

Shareholders of record at the close of business on December 26, 2008 are entitled to vote at the meeting. On that date, a total of 33,525,692 of our common shares were outstanding. Each share is entitled to one vote.

Voting for directors will be cumulative if any shareholder gives notice in writing to the President, a Vice President or the Secretary of Nordson at least 48 hours before the time set for the meeting and an announcement of the notice is made at the beginning of the meeting by the Chairman or the Secretary, or by or on behalf of the shareholder giving the notice. If cumulative voting is in effect, our shareholders will be entitled to cast, in the election of directors, a number of votes equal to the product of the number of directors to be elected multiplied by the number of shares that each shareholder is voting. Our shareholders may cast all of these votes for one nominee or distribute them among several nominees, as they see fit. If cumulative voting is in effect, shares represented by each properly submitted proxy will also be voted on a cumulative basis, with the votes distributed among the nominees in accordance with the judgment of the persons named on the proxy card.

Under Ohio law, directors are elected by a plurality of the votes of shareholders of the corporation present at a meeting at which a quorum is present, unless otherwise specified in an Ohio corporation s Articles of Incorporation, and proposals are adopted or approved by the vote of a specified percentage of the voting power of the corporation. Abstentions and broker non-votes are tabulated in determining the votes present at a meeting. Consequently, an abstention or a broker non-vote may have the same effect as a vote against a director nominee or a proposal, as each abstention or broker non-vote would be one less vote in favor of a director nominee or a proposal. An affirmative vote of a majority of the shares represented at the meeting will be required to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm.

If any of the nominees for terms expiring in 2012 becomes unable or declines to serve as a director, each properly submitted proxy will be voted for another person recommended by the Board of Directors. However, the Board has no reason to believe that any nominee will be unable or will decline to serve as a director.

The Board of Directors knows of no other matters that will be presented at the meeting other than as described in this proxy statement. However, if other matters do properly come before the meeting, the persons named in the proxy card will vote on these matters in accordance with their best judgment.

Shareholder Director Nominations and Proposals

Any shareholder who wishes to submit for inclusion in next year s proxy statement a candidate for election as director or a proposal to be considered should send the nomination or proposal for consideration c/o Secretary, Nordson Corporation, 28601 Clemens Road, Westlake, Ohio 44145 for receipt on or before September 26, 2009. A shareholder may nominate a candidate for election as a director at the 2010 Annual Meeting of the Shareholders provided the shareholder (i) is a shareholder of the company of record at the time of giving of the notice for the meeting, (ii) is entitled to vote at the meeting in the election of directors, and (iii) has given timely written notice of the nomination to the Secretary. The Governance and Nominating Committee will assess the qualifications of the candidate according to criteria set out in Nordson Corporation s Governance Guidelines, which are included in this proxy statement as Appendix B. Additionally, under our Regulations, a shareholder may submit a proposal for consideration at next year s Annual Meeting of Shareholders, but not for inclusion in the proxy statement, if the shareholder provides written notice no earlier than November 19, 2009 and no later than December 19, 2009. For a candidate to be considered for election as a director or for business to be properly requested by a shareholder to be brought before an annual meeting of shareholders, the shareholder must comply with all of the requirements of our Regulations, not just the timeliness requirements described above.

We will bear the expense of preparing, printing and mailing this notice and proxy statement. Our officers and regular employees may request proxies by contacting us by mail, telephone or in person. We will ask custodians, nominees and fiduciaries to send proxy material to beneficial owners in order to obtain voting instructions. Upon request, we will reimburse them for their reasonable expenses for mailing the proxy material. Our Annual Report to Shareholders, including financial statements for the fiscal year ended October 31, 2008, is being mailed to shareholders of record with this proxy statement.

CORPORATE PHILOSOPHY

Corporate Purpose

We strive to be a vital, self-renewing, worldwide organization which, within the framework of ethical behavior and enlightened citizenship, grows and produces wealth for our customers, employees, long-term shareholders and communities.

Corporate Goals

We operate for the purpose of creating balanced, long-term benefits for all of our constituencies: customers, employees, long-term shareholders and communities.

We do not expect every quarter to produce increased sales, earnings and earnings per share, or to exceed the comparative prior year s quarter. We do expect to produce long-term gains. When short-term swings occur, we do not intend to alter our basic objectives in efforts to mitigate the impact of these natural occurrences.

We achieve growth by seizing market opportunities with existing products and markets, investing in systems to maximize productivity and pursuing growth markets. We augment this strategy through product line additions, engineering, research and development, and acquisition of companies that can serve multinational industrial markets.

Customers

We create benefits for our customers through a Package of Values®, which includes carefully engineered, durable products; strong service support; the backing of a well-established worldwide company with financial and technical strengths; and a corporate commitment to deliver what was promised.

We strive to provide genuine customer satisfaction; it is the foundation upon which we continue to build our business.

Employees

Complementing our business strategy is the objective to provide opportunities for employee self-fulfillment, growth, security, recognition and equitable compensation.

We meet this goal through our Human Resources department s facilitation of employee training and leadership training and the creation of on-the-job growth opportunities. The result is a highly qualified and professional management team capable of meeting corporate objectives.

We recognize the value of employee participation in the planning process. Strategic and operating plans are developed by all business units and divisions, resulting in a sense of ownership and commitment on the part of employees in accomplishing our objectives. In addition, employees participate in Lean initiatives to continuously improve our processes.

We are an equal opportunity employer.

Communities

We are committed to contributing approximately 5 percent of domestic pretax earnings to human services, education and other charitable activities, particularly in communities where we have major facilities.

Since our founding, we have held the belief that business, as a corporate citizen, has a social responsibility to share its success with the communities in which it operates and its employees live. With this operating philosophy, in 2008, we contributed $3.7 million to nonprofit organizations operating in the areas of education, civic affairs, human welfare and arts and culture. In addition, our employees also showed their community commitment by volunteering through our Time n Talent program. In 2008, employees spent nearly 8,200 hours strengthening their communities and supporting individuals and families in need.

CORPORATE GOVERNANCE

Director Independence

Our Governance Guidelines provide that the Board of Directors will be comprised of a majority of independent directors and that only those directors or nominees who meet the NASDAQ Stock Market LLC (NASDAQ) standards for independence will be considered independent. Our Board of Directors has affirmatively determined that Mr. Colville, Mr. Ginn, Mr. Hardis, Dr. Ignat, Mr. Keithley, Mr. Madar, Mr. Merriman, Ms. Puma, Mr. Robinson, and Mr. Rosen are independent directors. The independent directors constitute a majority of the Board, and the only director who is not independent is Mr. Edward P. Campbell, our President and Chief Executive Officer.

Governance Guidelines

On December 10, 2008, our Board of Directors adopted the revised Nordson Corporation Governance Guidelines. The Governance Guidelines incorporate best governance practices in the area of other board memberships, executive sessions of the independent directors and director recruitment and performance guidelines. Our Governance Guidelines also set out in detail the roles of the chairman of the board and the presiding director, including that of the presiding director in the event the chairman of the board is not an independent director.

Code of Business and Ethical Conduct

We have a Code of Business and Ethical Conduct that addresses our commitment to honesty and integrity and the ethical behavior of our directors, officers and employees with current and potential customers, fellow employees, competitors, government and self-regulatory agencies, investors, the public, the media and anyone else with whom we have or may have contact. Violations of any of the standards of the Code will be met with appropriate disciplinary action, up to and including termination of employment. Retaliation against any director, officer or employee who files a report concerning what he or she reasonably believes to be conduct that violates the Code is strictly prohibited.

Director Nominating Process

The Governance and Nominating Committee annually reviews the appropriate experience, skills and characteristics required of Board members in the context of the current membership of the Board. This assessment includes, among other relevant factors in the context of the perceived needs of the Board at that time, issues of experience, reputation, judgment, diversity and skills.

Our Board of Directors has established a process for the identification and selection of candidates for director. The Governance and Nominating Committee, in consultation with the Chairman of the Board, periodically examines the composition of the Board. If the Governance and Nominating Committee determines that adding a new director is advisable, the Committee initiates the search, working with other directors, management and, if it deems appropriate or necessary, a search firm retained to assist in the search. The Governance and Nominating Committee considers all appropriate candidates proposed by management, directors and shareholders. Information regarding potential candidates is presented to the Governance and Nominating Committee, and the Committee evaluates the candidates based on the needs of the Board at that time and issues of experience, reputation, judgment, diversity and skills, as set forth in our Governance Guidelines and Director Recruitment and Performance Guidelines. Potential candidates are evaluated according to the same criteria, regardless of whether the candidate was recommended by shareholders, the Governance and Nominating Committee, another director, management, a search firm or another third party. The Governance and Nominating Committee submits any recommended candidate(s) to the full Board of Directors for approval and recommendation to our shareholders.

In evaluating the suitability of individuals for Board membership, the Governance and Nominating Committee evaluates each individual in the context of our Director Recruitment and Performance Guidelines, with the objective of recommending a group of directors that can best perpetuate the success of our business and represent shareholder interests through the exercise of sound judgment, using its diversity of experience. The Director Recruitment and Performance Guidelines were adopted by the Board of Directors on December 6, 2006 upon recommendation of the Governance and Nominating Committee and are a crucial element of our Governance Guidelines. In determining whether to recommend a director for re-election, the Committee also considers the director s past attendance at meetings and participation in and contributions to the activities of the Board. The Committee does not distinguish between nominees recommended by shareholders and other nominees.

Shareholders wishing to suggest candidates to the Governance and Nominating Committee for consideration as directors must submit a written notice to the Secretary, who will present the notice to the Governance and Nominating Committee. Our Regulations set forth the procedures a shareholder must follow to nominate directors. These procedures are summarized in the Shareholder Director Nominations and Proposals and Shareholder Communications with the Board of Directors sections of this proxy statement.

Shareholder Communications with the Board of Directors

Shareholders may communicate with the Board, a Board committee, the presiding independent director, the non-employee directors as a group, or individual directors by sending written communications addressed to the Board of Directors, a Board committee or such individual director or directors, c/o Secretary, Nordson Corporation, 28601 Clemens Road, Westlake, Ohio 44145. Shareholders may also communicate directly with the Board of Directors by mail through the Chairperson, Governance and Nominating Committee, c/o Secretary, Nordson Corporation, 28601 Clemens Road, Westlake, Ohio 44145.

Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. Our secretary will initially receive and process communications before forwarding them to members of the Board to whom the communication is directed, or if the communication is not directed to any specific member(s) of the Board, to the Chairperson of the Governance and Nominating Committee. We generally will not forward a shareholder communication that is primarily commercial in nature, relates to an improper or irrelevant topic, or requests general information about us. Concerns about accounting or auditing matters or possible violations of our Code of Business and Ethical Conduct should be reported pursuant to the procedures outlined in the Code.

Presiding Director

The Presiding Director presides over all meetings of the non-employee directors held in executive session. The Presiding Director also has other authority and responsibilities that are described in the Governance Guidelines. Stephen R. Hardis currently serves as our Presiding Director.

Executive Sessions

Pursuant to our Governance Guidelines, non-employee directors of the Board meet in regularly scheduled executive sessions without management. The Presiding Director chairs all regularly scheduled executive sessions, and also has authority to convene meetings of the non-employee directors at any time with appropriate notice. In fiscal year 2008, Mr. Hardis conducted an executive session at each of the meetings of the Board.

Attendance at the Annual Meeting of Shareholders

Directors are expected to attend the Annual Meeting of Shareholders and all Board of Directors meetings and meetings of committees on which a director serves. During the last fiscal year, each director attended at least seventy-five percent of the meetings of the Board of Directors and of the committees on which he or she served. All directors attended the 2008 Annual Meeting of the Shareholders.

Annual Self-Assessments

The Board of Directors conducts an annual self-assessment to determine, among other matters, whether the Board and the Committees are functioning effectively. The independent directors also undertake a peer assessment of other independent directors as part of this self-assessment process. The standing committees Audit, Compensation, and Governance and Nominating are also required to each conduct an annual self-assessment. The Governance and Nominating Committee is responsible for overseeing this self-assessment process. The Board and the three standing Committees each conducted the self-assessments described above during fiscal year 2008.

Certain Relationships and Related Transactions; Review, Approval or Ratification of Related Transactions

There were no transactions between us and our officers, directors or any person related to our officers or directors, or with any holder of more than 5% of our common shares, either during fiscal year 2008 or up to the date of this proxy statement, in which any such person has a direct or indirect material interest. We review all transactions between us and any of our officers and directors. Our Code of Business and Ethical Conduct, which applies to directors, officers and all employees, emphasizes the importance of avoiding situations or transactions in which personal interests interfere with our best interests or those of our shareholders. In addition, our Related Persons Transactions Policy includes procedures for discussing and assessing relationships, including business, financial, familial and nonprofit, among us and our officers and directors, to the extent that they may arise. The Board reviews any transaction with a director to determine, on a case-by-case basis, whether a conflict of interest exists. The Board ensures that all directors voting on such a matter have no interest in the matter and discusses the transaction with counsel as deemed necessary. The Board will generally delegate the task of discussing, reviewing and approving transactions between us and any of our officers or directors to the Audit Committee. We define related persons transactions generally as transactions in which the self-interest of the employee, officer or director may be at odds or conflict with our interests, such as doing business with entities that are or may be controlled or significantly influenced by such persons or their immediate family members. Any related persons transactions concerning the company and any of our directors or officers including those that are reportable under Item 404(a) of Regulation S-K of the Securities Exchange Act of 1934, are to be disclosed to and approved by the Audit Committee. It is our policy to avoid related person transactions and related person transactions involving our officers are generally prohibited.

Mr. Campbell, Chairman of the Board of Directors, President and Chief Executive Officer, is also a director of KeyCorp. We and KeyCorp have had a banking relationship since 1954. KeyCorp currently acts as agent for our $400 million revolving credit facility. KeyCorp also serves as our cash manager and acts as trustee for several trusts managed by us.

Governance Documents

All of our current corporate governance documents and policies, including our Governance Guidelines, Director Recruitment and Performance Guidelines, committee charters, Code of Business and Ethical Conduct and Related Persons Transaction Policy are available at *www.nordson.com/corporate/governance* and in print to any shareholder who requests them. The annual report and this proxy statement are also available at *www.nordson.com*. Upon request, copies of the annual report will be mailed to you (at no charge) by contacting Corporate Communications, 28601 Clemens Road, Westlake, Ohio 44145.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

Board of Directors. Our Board of Directors has five regularly scheduled meetings each year. Special meetings are held as necessary. In addition, management and the directors communicate informally on a variety of topics, including suggestions for Board or Committee agenda items, recent developments and other matters of interest to the directors. The Board monitors overall corporate performance and the integrity of our financial controls and legal compliance procedures. In fiscal year 2008, our Board of Directors met five times in regular session. An executive session of independent directors occurred at each meeting.

The Board has three standing committees: an Audit Committee, a Compensation Committee, and a Governance and Nominating Committee. The table below provides current committee membership and fiscal year 2008 committee meeting information:

Director	Audit	Compensation	Governance & Nominating
William W. Colville	X		X
William D. Ginn	X		
Stephen R. Hardis		X*	X
David W. Ignat	X		
Joseph P. Keithley		X	X*
William P. Madar	X*		
Michael J. Merriman, Jr.		X	
Mary G. Puma	X		X
William L. Robinson		X	
Benedict P. Rosen		X	X
Total meetings in fiscal year 2008	5	6	4

* Committee Chairperson

Audit Committee. All members of the Audit Committee meet the NASDAQ independence standards. The Board of Directors has designated Mr. Madar and Ms. Puma as audit committee financial experts pursuant to the SEC s final rules implementing Section 407 of the Sarbanes-Oxley Act. The Audit Committee is responsible for:

- reviewing the proposed audit programs (including both independent and internal audits) for each fiscal year, the results of these audits, and the adequacy of our systems of internal accounting control;
- the appointment, compensation, and oversight of the independent auditors for each fiscal year;
- the approval of all permissible audit and non-audit services to be performed by the independent auditors;
- the establishment of procedures for the receipt, retention, and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters; and
- the approval of all related-persons transactions.

A more detailed discussion of the purposes, duties, and responsibilities of the Audit Committee is found in the Committee s charter, which is available at *www.nordson.com/corporate/governance*. The Committee has discussed with the independent auditors the auditors independence from management and the company, including the matters in written disclosures required by the Independence Standards Board, and considered the compatibility of non-audit services with the auditors independence. The Audit Committee Report to the Board of Directors is at Appendix A of this proxy statement.

Compensation Committee. All members of the Compensation Committee meet the NASDAQ independence standards. The Committee is responsible for setting and approving compensation for our executive officers and for administering the incentive and equity participation plans under which we pay variable compensation to our executive officers. The Committee also administers employee equity and qualified and non-qualified retirement benefit plans. A more detailed discussion of the purposes, duties, and responsibilities of the Committee is found in the Committee s charter which is available at *www.nordson.com/corporate/governance*.

The Committee takes steps to enhance significantly its ability to carry out its responsibilities effectively to ensure that we maintain strong links between executive compensation and performance. Examples of these steps are:

holding executive sessions (without our management present) at every regularly scheduled Committee meeting;

engaging an outside compensation consultant to advise on executive compensation issues, including peer benchmarking data;

realigning compensation structures based on examination of peer group compensation structures and levels and peer group financial performance; and

strengthening the link between executive officer annual pay and shareholder value by basing incentive pay on the achievement of financial measures and additional specific objectives and modifying the mix of compensation elements to increase the allocation of compensation linked to corporate financial performance.

For each fiscal year, the Committee determines:

base salary adjustments (which are typically retroactive to the beginning of the fiscal year if the Committee meeting occurs after the beginning of the fiscal year);

payouts for the previous fiscal year s annual cash incentive plan and completed three-year performance period under the long-term incentive plan; and

performance measures and levels for the prospective annual cash incentive plan and the prospective long-term incentive plan three-year performance period.

The Committee seeks to set base salaries at the median for comparable positions at companies in our peer group, but then adjusts individual executive officer base salaries based on performance and seniority. Furthermore, total compensation, including base salary, annual cash incentive compensation, and long-term equity-based incentive compensation is intended to vary with our performance in comparison to absolute financial measures and to the performance of our peers. Performance measures and target award levels are adjusted periodically based on peer compensation and financial performance data with the intent to cause percentile compensation to correlate generally to percentile performance relative to our peer group across a multi-year business cycle.

In years with outstanding performance at the maximum levels established for our annual cash incentive and long-term equity-based incentive plan, we would expect total direct compensation (base salary, annual cash incentive compensation and long-term incentive awards) to exceed the 75th percentile of our peer group. Correspondingly, in years with weak performance below the established threshold levels, we would expect total direct compensation to be as low as the 10th percentile of our peer group.

With respect to annual and long-term incentive compensation, the Committee believes selecting the appropriate performance measures is critical to our paying for performance philosophy. The Committee bases its awards to our executive officers each year on a number of factors, including:

the executive officer s position with us and total compensation package;

the executive officer s performance of his or her individual responsibilities;

the equity participation levels of comparable executives at comparable companies; and

the executive officer s contribution to our financial performance.

The Committee also has the authority to engage outside executive compensation consultants, to determine the scope of the consultant s services and to terminate the consultant s engagement. As described in the

Compensation Discussion and Analysis section of this proxy statement, the Committee engaged Mercer for fiscal year 2008. The compensation consultant reports directly to the Chairperson of the Committee and provides the Committee with information and analysis related to executive compensation including:

- a competitive compensation review of the actual base salary, annual incentive and long-term incentive awards our Chief Executive Officer and other executive officers receive;
- executive compensation trend data;
- observations on the design of our annual and long-term incentive programs;
- peer group financial performance review and compensation market analysis of our peer companies; and
- a comprehensive report detailing our performance relative to our peer group with respect to earnings per share growth and return on capital.

Our Chief Executive Officer and Vice President, Human Resources review Mercer s analyses and assessments, develop initial recommendations for base salary adjustments and incentive compensation for our executive officers (other than our Chief Executive Officer) for the next fiscal year, and present management s initial recommendations to the Committee. Details of the role our Chief Executive Officer and Vice President, Human Resources are found in the Compensation Discussion and Analysis section of this proxy statement under the caption Role of Executive Officers.

The equity element of annual director compensation is determined by the Governance and Nominating Committee. The equity grants are made by the Compensation Committee pursuant to its authority under the 2004 Long-Term Performance Plan.

Governance and Nominating Committee. All members of the Governance and Nominating Committee meet the NASDAQ independence standards. The purpose of the Governance and Nominating Committee is to ensure that the Board of Directors and its committees are appropriately constituted so that the Board and each director may effectively meet their fiduciary obligations to shareholders and to us. A more detailed discussion of the purposes, duties, and responsibilities of the Governance and Nominating Committee is found in the Committee s charter which is available at *www.nordson.com/corporate/governance.*

Effective February 17, 2008, our Board of Directors dissolved the Pension and Finance Committee. The oversight responsibility for the adequacy of financial statements pertaining to our benefit plans, including reserves, statement of funding obligations and underlying economic assumptions has been transferred to the Audit Committee. Oversight of the investment policy with respect to tax-qualified pension and retirement plans funds held in trust and financial performance of the investment managers for those funds has been assumed by the Compensation Committee.

PROPOSAL NO. 1: ELECTION OF DIRECTORS WHOSE TERM EXPIRES IN 2012

NOMINEES AND OTHER DIRECTORS

Our Board of Directors is composed of eleven directors divided into three classes. The terms of these classes as of the 2009 Annual Meeting will expire in 2010, 2011, and 2012. Each of the directors serves for a term of three years and until a successor is elected. In anticipation of a director retirement in fiscal year 2010 according to the director retirement guidelines of our Governance Guidelines, the Board has determined to temporarily increase the size of the class of directors whose terms expire in 2012 from four to five and leave one vacancy in the class of 2010.

The Governance and Nominating Committee is responsible for identifying and evaluating nominees for director and for recommending to the Board a slate of nominees for election at the Annual Meeting of Shareholders. The Governance and Nominating Committee has recommended to the Board, and the Board has approved, the persons named as nominees for terms expiring in 2012 and, unless otherwise marked, a proxy will be voted for such nominees. Each of the nominees currently serves as a director. Messers. Campbell, Colville, Madar and Dr. Ignat were last elected by the shareholders at the 2006 Annual Meeting.

Mr. Merriman was elected to the Board of Directors on August 19, 2008 as a member of the class of directors whose terms expire in 2009. Mr. Merriman was also appointed to serve as a member of the Compensation Committee. Under our Regulations, a director who is elected by the Board of Directors is required, if nominated, to stand for election at the next regularly scheduled Annual Meeting of Shareholders.

The name and age of each of the five nominees for election as directors for terms expiring in 2012, as well as present directors whose terms will continue after the meeting, appear below together with his or her principal occupation for at least the past five years, the year each became a director of the company and certain other information. The information is as of January 16, 2009.

Nominees For Terms Expiring in 2012

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
Edward P. Campbell	59	Mr. Campbell has served as Chairman and Chief Executive Officer of Nordson since March 12, 2004. The Board of Directors elected Mr. Campbell to the additional position of President, Nordson Corporation effective January 2, 2008, the date Peter S. Hellman resigned as a member of the Board of Directors and retired as President and Chief Financial Officer of Nordson. He served as President and Chief Executive Officer of Nordson from November 1997 to March 2004 and as President and Chief Operating Officer of Nordson from August 1996 to October 1997. He is a director of KeyCorp, a financial services company, and OMNOVA Solutions, Inc., a manufacturer of specialty chemicals, emulsion polymers and decorative products.	1996
William W. Colville	74	Mr. Colville was Senior Vice President Law, General Counsel and Secretary of Owens-Corning Fiberglas Corp. from 1984 until December 1994 and served as a legal consultant to Owens-Corning from January 1995 until October 2000. Owens-Corning manufactures glass fiber products and related materials. Mr. Colville is a director of Owens-Corning.	1988
Dr. David W. Ignat	67	Dr. Ignat was the Scientific Editor and General Manager of Nuclear Fusion, a research journal published by the International Atomic Energy Agency, from 1996 through 2002. From 2000 through 2001, he was a consultant to the Princeton Plasma Physics Laboratory, Princeton University.	2002
William P. Madar	69	Mr. Madar served as Chairman of the Board of Nordson from October 1997 through March 2004 and was Vice Chairman and Chief Executive Officer from August 1996 to October 1997. He was President and Chief Executive Officer of Nordson from February 1986 through August 1996. Mr. Madar is a director of Brush Engineered Materials, Inc., a producer and supplier of beryllium and related products, specialty metal systems and precious metal products, and The Lubrizol Corporation, a manufacturer of specialty chemicals.	1985

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
Michael J. Merriman, Jr.	52	Mr. Merriman was appointed an Operating Advisor of Resilience Capital Partners LLC in June 2008. Resilience is a private equity firm focused on principal investing in lower middle market underperforming and turnaround situations. Mr. Merriman is a business consultant for Product Launch Ventures, LLC, a company that he founded in 2004 to pursue consumer product opportunities and provide business advisory services. Mr. Merriman served as a director and as President and Chief Executive Officer of The Lamson & Sessions Co., a manufacturer of thermoplastic conduit, fittings and electrical switch and outlet boxes from November 2006 to November 2007. Mr. Merriman is a director of American Greetings Corporation, a designer, manufacturer and seller of greeting cards and other social expression products and was its Senior Vice President and Chief Financial Officer from September 2005 until November 2006. Mr. Merriman served as President and Chief Executive Officer of Royal Appliance Manufacturing Co., a developer, assembler and marketer of a full line of cleaning products for home and commercial use, from 1995 until April 2004 and a director of Royal Appliance Manufacturing Co. from October 1993 until April 2004. Mr. Merriman is a director of RC2 Corporation, a manufacturer of pre-school toys and infant products, and OMNOVA Solutions Inc., a manufacturer of specialty chemicals, emulsion polymers and decorative products.	2008

Present Directors Whose Terms Expire in 2010

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
William D. Ginn	85	Mr. Ginn is a retired former partner with the law firm of Thompson Hine LLP. As a retired former partner of Thompson Hine LLP, Mr. Ginn does not receive any compensation from nor does he render any services to or on behalf of the firm. At the time the Board of Directors adopted the mandatory retirement age for directors, Mr. Ginn had already reached age 75 and was exempted from this requirement.	1959
Benedict P. Rosen	72	Mr. Rosen served as Chairman of AVX Corporation from July 1997 through July 2008, and was Chief Executive Officer of AVX Corporation from July 1997 through July 2001. AVX is an international producer of electronic components.	1999

Present Directors Whose Terms Expire in 2011

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
Stephen R. Hardis	73	Mr. Hardis served as Chairman and Chief Executive Officer of Eaton Corporation from January 1996 until his retirement in July 2000. Eaton produces automation systems and equipment, capital and consumer goods components, aerospace and defense systems, and automotive components. Mr. Hardis is a director of Lexmark International, Inc., a manufacturer and seller of computer printer products; Marsh & McLennan Cos., a provider of insurance and reinsurance, consulting, and investment advisory and management services; The Progressive Corporation, an insurance holding company; and Axcelis Technologies, Inc., a producer of ion implantation equipment used in the semiconductor manufacturing industry.	1984
Joseph P. Keithley	60	Mr. Keithley is Chairman of the Board, President and Chief Executive Officer of Keithley Instruments, Inc., a provider of measurement solutions to the semiconductor, fiber optics, telecommunications and electronics industries. He has served as Chairman of the Board of Keithley Instruments since 1991, as Chief Executive Officer since 1993 and as President since 1994. Mr. Keithley is also a director of Brush Engineered Materials, Inc., a producer and supplier of beryllium and related products, specialty metal systems and precious metal products.	2001
Mary G. Puma	50	Ms. Puma is Chairman of the Board and Chief Executive Officer of Axcelis Technologies, Inc., a producer of ion implantation equipment used in the semiconductor manufacturing industry. Previous to her election as President and Chief Executive Officer of Axcelis in January 2002, Ms. Puma served as Axcelis President and Chief Operating Officer from May 2000 to January 2002.	2001
William L. Robinson	67	For the last nine years, Mr. Robinson has been a professor of law at the University of the District of Columbia s David A. Clarke School of Law, currently in the capacity of Distinguished Professor of Law.	1995

No shareholder or group that beneficially owns 5% or more of our outstanding common shares has recommended a candidate for election as a director at the 2009 Annual Meeting of the Shareholders.

BOARD OF DIRECTORS RECOMMENDATION:

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT YOU VOTE FOR THE DIRECTORS NOMINATED BY THE BOARD.

PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR ALL NOMINEES UNLESS SHAREHOLDERS SPECIFY A CONTRARY VOTE.

Director Compensation

Directors who are also our employees do not receive compensation for their services as directors. We structure director compensation to attract and retain qualified non-employee directors and to further align the interests of directors with the interests of our long-term shareholders by linking a substantial portion of their compensation to the performance of our common shares. Following is a description of our compensation program for non-employee directors in fiscal year 2008.

Determining Director Compensation. The Governance and Nominating Committee periodically reviews a competitive analysis of non-employee director compensation prepared by Mercer and makes recommendations to the Board of Directors on compensation for our non-employee directors, including their cash retainers and annual equity grants. Each component of director compensation is described below.

Board Retainer. Our non-employee directors receive an annual cash retainer of $55,000. Directors do not receive any meeting or attendance fees.

Committee Retainer. In addition to the annual cash retainer, the chairpersons of the Compensation and Governance and Nominating Committees each receive a cash retainer of $5,000 each year. The Audit Committee chairperson receives a cash retainer of $10,000 each year. The Presiding Director receives a cash retainer of $5,000 each year.

Equity Grant. For fiscal year 2008 and pursuant to the Nordson Corporation 2004 Long-Term Performance Plan, which was approved by the shareholders at the 2004 Annual Meeting, each non-employee director was granted 1,323 restricted common shares. The dollar value of the grant, made at the fair market value of $52.91 per share on the date of grant, is $70,000.

Directors may elect to defer receipt of the restricted common shares under the terms of the Directors Deferred Compensation Plan. The election to defer must be made prior to the effective date of the grant and deferral is in the form of restricted share units.

The terms of the grant are:

Restriction Period:	Two year restriction on transfer. Restriction will lapse upon the retirement, disability, or death of a director. For directors who do not defer the receipt of the restricted shares, the shares are fully transferable upon lapse of the restriction period.
Voting:	Non-deferred Shares: Recipients that do not defer receipt of the restricted shares are permitted to vote all shares during the restriction period. Deferred Shares: Recipients that defer receipt do not have voting rights on these restricted share units.
Dividends:	Non-deferred Shares: Dividends are payable to recipients in cash. Deferred Shares: Dividends are deferred as share equivalent units under the Directors Deferred Compensation Plan.

Deferred Compensation Program. Under the Directors Deferred Compensation Plan, non-employee directors may elect to defer all or a portion of their annual cash retainer and restricted share grant into a non-qualified, unfunded deferred compensation program. At the election of the director, amounts deferred under the Directors Deferred Compensation Plan will earn a return equivalent to the return on an investment in (i) an interest-bearing account, earning interest based on the 10-year Treasury bill constant maturity rate or (ii) a stock equivalent account, earning a return based on our common share price and accruing dividend equivalents. Any restricted share grant that a non-employee director elects to defer is automatically invested into a restricted stock unit account with dividends credited to the directors stock equivalent unit account. The amounts deferred, dividend equivalents and any appreciation or accrued interest are paid in cash or in our common shares, as applicable, on dates selected by the director. We do not pay above market rates or preferential rates under this deferred compensation plan.

Group Medical and Dental Insurance Plan. Non-employee directors also may elect to participate in the company s group welfare plan, which provides medical and dental insurance coverage to our employees. Non-employee directors may obtain medical and dental coverage on the same terms as our employees. For fiscal year 2008, we paid a total of $23,482 in equivalent insurance premiums for our non-employee directors that participated in the group medical plan, Messrs. Colville, Ginn and Madar. In addition and pursuant to our agreement with Mr. Madar, Mr. Madar received $6,116 for reimbursement of Medicare premiums.

Charitable Gifts Matching Program for Non-Employee Directors. Non-employee directors may participate in our employee matching gift program involving contributions of cash or publicly-traded stock made to cultural, educational, social, medical or health-related charitable organizations that are exempt from federal income tax. Ms. Puma, Dr. Ignat and Messrs. Colville, Ginn, Hardis, Madar, Robinson and Rosen participated in this program. We made contributions totaling $50,900 during fiscal year 2008.

Director Compensation Table for Fiscal Year 2008

The following table sets forth the total compensation paid to each non-employee director for services provided as a director for fiscal year 2008.

Name (1)	**Fees Earned or Paid in Cash (2),(3) $**	**Stock Awards (4),(5) $**	**All Other Compen-sation (6) $**	**Total $**
W. Colville	55,000	67,076	29,209	151,285
W. Ginn	55,000	67,076	15,770	137,846
S. Hardis	65,000	67,076	35,917	167,993
D. Ignat	55,000	67,076	20,099	142,175
J. Keithley	60,000	67,076	8,384	135,460
W. Madar	62,500	67,076	40,868	170,444
M. Merriman	11,000	1,752	48	12,800
M. Puma	57,500	67,076	8,811	133,387
W. Robinson	55,000	67,076	13,744	135,820
B. Rosen	56,250	67,076	20,061	143,387

(1) Edward P. Campbell, Chairman, President and Chief Executive Officer and Peter S. Hellman, who retired as our President and Chief Financial and Administrative Officer and resigned from our Board of Directors on January 2, 2008, are not included in this table because they are named executive officers and received no additional compensation in their capacities as directors.

(2) Messrs. Hardis and Keithley received $5,000 as committee chairpersons. Mr. Madar assumed the role of chairperson of the Audit Committee on February 19, 2008 and received $7,500, representing a prorata amount of the annual Audit Committee chairperson retainer. Ms. Puma received $2,500, representing a prorata amount of the annual Audit Committee chairperson retainer corresponding with the period in fiscal year 2008 when she served as chairperson of the Audit Committee. Mr. Rosen received $1,250, representing a prorata amount of the annual Governance & Nominating Committee chairperson retainer corresponding with the period in fiscal year 2008 when he served as chairperson of the Governance and Nominating Committee. Mr. Hardis also received $5,000 as Presiding Director. Mr. Merriman received a cash payment of $11,000, representing a pro-rata portion of his non-employee director annual cash retainer of $55,000.

(3) The following table represents the fiscal year 2008 cash compensation deferred by each director under the Directors Deferred Compensation Plan:

Director	Amount of Cash Retainer Deferred to Cash Account ($)	Amount of Cash Retainer Deferred to Stock Equivalent Unit Account ($)
W. Colville		
W. Ginn		
S. Hardis		65,000
D. Ignat	55,000	
J. Keithley		60,000
W. Madar		
M. Merriman		
M. Puma		
W. Robinson		27,500
B. Rosen		56,250

(4) This column shows the dollar amount recognized for financial statement reporting purposes of restricted shares granted on November 22, 2006 and December 5, 2007 in accordance with Statement of Financial Accounting Standards No. 123(R), Share-Based Payment (SFAS No. 123(R)) for fiscal year 2008. On November 22, 2006, 1,435 restricted shares were granted to each of the directors then in office under our 2004 Long-Term Performance Plan who did not elect to defer the grant. The number of shares was determined by dividing $70,000 by the average of the high and low price of our common shares on November 22, 2006 $48.77. On December 5, 2007, 1,323 restricted shares were granted to each of the directors then in office under our 2004 Long-Term Performance Plan who did not elect to defer the grant. The number of shares was determined by dividing $70,000 by the closing price of our common shares on December 5, 2007 $52.91. For financial reporting purposes the dollar value of the grant is amortized straight-line over the period earned (24 months from the date of grant). Effective August 26, 2008, Mr. Merriman was granted 264 restricted shares (the equivalent of $14,000), representing his pro-rata portion of the annual equity compensation ($70,000) paid to non-employee directors for fiscal year 2008. Our closing share price on August 26, 2008 was $53.10.

(5) Messrs. Hardis, Keithley, Madar and Robinson elected to defer the fiscal year 2007 restricted share grant to their respective restricted stock unit account. Messrs. Ginn, Hardis, Keithley, Robinson and Rosen elected to defer the fiscal year 2008 restricted share grant to their respective restricted stock unit account.

(6) This column reflects the dividend equivalents credited to the directors stock equivalent unit accounts in the Directors Deferred Compensation Plan in fiscal year 2008 for directors that deferred compensation. The amount credited to Dr. Ignat s account is attributable to interest earnings on his deferred cash account ($12,086) and dividends on his stock equivalent unit account ($2,013). Amounts also reflect the equivalent health care insurance premiums and matching gifts. All three components of the column are presented in the following table:

Director	**Dividends or Interest Credited to Non-qualified Deferred Compensation Accounts**	**Equivalent Insurance Premium ($)**	**Matching Gift ($)**
W. Colville	15,894	9,615	3,700
W. Ginn	2,018	4,752	9,000
S. Hardis	29,917		6,000
D. Ignat	14,099		6,000
J. Keithley	8,384		0
W. Madar	19,137	15,731	6,000
M. Merriman	48		0
M. Puma	2,811		6,000
W. Robinson	8,044		5,700
B. Rosen	11,561		8,500

We did not award any stock options to directors in fiscal year 2008. We do not have a non-equity incentive compensation plan for directors nor do we sponsor a defined benefit (pension plan) for directors. Mr. Madar receives a pension benefit as a company retiree.

PROPOSAL 2: RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Appointment of Independent Registered Public Accounting Firm for Fiscal Year 2009

Ernst & Young LLP served as our independent registered public accounting firm for the fiscal year ended October 31, 2008. In addition to the engagement to audit our financial statements and internal control over financial reporting and to review the financial statements included in our quarterly reports on Form 10-Q, Ernst & Young was also engaged by us during fiscal 2008 to perform certain audit-related services.

The Audit Committee has appointed Ernst & Young to serve as our auditors for the fiscal year ending October 31, 2009. Although shareholder ratification of the appointment of Ernst & Young is not required, the Board of Directors believes that submitting the appointment to our shareholders for ratification is a matter of good corporate governance. If our shareholders do not ratify the appointment of Ernst & Young, the Audit Committee will reconsider the appointment. We expect that a representative of Ernst & Young will be present at the 2009 Annual Meeting to respond to appropriate questions from shareholders and to make a statement if he or she desires to do so.

As provided in the Audit Committee s Charter, the Audit Committee is responsible for directly appointing, retaining, terminating and overseeing our independent registered public accounting firm. While we have a long-standing relationship with Ernst & Young, the Audit Committee continuously evaluates the independence and effectiveness of Ernst & Young and its personnel, and the cost and quality of its audit and audit-related services.

Required Vote

The affirmative vote of a majority of the shares represented at the 2009 Annual Meeting of Shareholders and entitled to vote on this proposal will be required to ratify the Audit Committee s appointment of our independent registered public accounting firm. Abstentions will have the effect of a vote against ratification of the appointment of the independent registered public accounting firm.

Pre-Approval of Audit and Non-Audit Services

At the start of each fiscal year, our Audit Committee pre-approves the audit services, audit-related services and tax services, if any, together with specific details regarding such services anticipated to be required for such fiscal year including, as available, estimated fees. The Audit Committee reviews and, if it deems them appropriate, pre-approves those services. The Audit Committee reviews the services provided to date and actual fees against the estimates, and such fee amounts may be updated for presentation at the regularly scheduled meetings of the Audit Committee. Additional pre-approval is required before actual fees for any service can exceed the originally pre-approved amount. The Audit Committee may also revise the list of pre-approved services and related fees from time to time. All of the services described below under the captions Audit Fees and Audit-Related Fees with respect to fiscal year 2008 were pre-approved in accordance with this policy.

If we seek to engage our independent registered public accounting firm for other services that are not considered subject to general pre-approval as described above, then the Audit Committee must approve such specific engagement as well as the estimated fees. Such engagement will be presented to the Audit Committee for pre-approval at its next regularly scheduled meeting. If the timing of the project requires an expedited decision, then we may ask the chairperson of the Audit Committee to pre-approve such engagement. Any such pre-approval by the chairperson is then reported to the full Audit Committee for ratification at the next Audit Committee meeting. In any event, pre-approval of any engagement by the Audit Committee or the chairperson of the Audit Committee is required before our independent registered public accounting firm may commence any engagement. Additional pre-approval is required before any fees can exceed approved fees for any such specifically-approved services.

Fees Paid to Ernst & Young LLP

The following table shows the fees we paid or accrued for audit and other services provided by Ernst & Young LLP for the fiscal years ended October 31, 2008 and October 31, 2007:

	FY 2008	FY 2007
Audit Fees (1)	$ 1,657,361	$ 1,917,984
Audit-Related Fees (2)	$ 5,288	$ 35,140
Tax Fees (3)	$	$

(1) Audit services of Ernst & Young consisted of the audit of our annual consolidated financial statements, the quarterly review of interim financial statements, the audit of management s assessments of internal controls over financial reporting and statutory audits required internationally.

(2) Audit-Related Fees generally include fees for employee benefit plans, business acquisitions, accounting consultations and services related to Securities and Exchange Commission registration statements.

(3) Tax Fees generally include fees for tax planning and compliance consulting. Ernst & Young did not provide tax planning or compliance consulting services in fiscal years 2008 and 2007.

RECOMMENDATION REGARDING PROPOSAL 2:

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR RATIFICATION OF THE AUDIT COMMITTEE S APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING OCTOBER 31, 2009.

Ownership of Nordson Common Shares

The following table shows the number and percent of our common shares beneficially owned on December 26, 2008 by each of the directors, including nominees; each of the executive officers named in the Summary Compensation Table for fiscal year 2008; any persons known to us to be the beneficial owner of more than 5% of our common shares; and by all directors and executive officers as a group.

Name	**Number of Shares (1)**	**Percent**
Edward P. Campbell (2) (3)	714,918	2.1
William W. Colville	31,863	0.1
William D. Ginn (4)	501,632	1.5
Stephen R. Hardis	99,568	0.3
Dr. David W. Ignat	1,516,817	4.5
Joseph P. Keithley	16,771	*
William P. Madar	93,125	0.3
Michael J. Merriman, Jr.	2,700	*
Mary G. Puma	22,155	0.1
William L. Robinson	22,354	0.1
Benedict P. Rosen	20,764	0.1
Peter S. Hellman (2)	267,356	0.8
Michael Groos (2)	35,963	0.1
Robert A. Dunn, Jr. (2)	55,861	0.2
John J. Keane (2)	63,613	0.2
Gregory A. Thaxton (2)	10,983	*
Jane Nord (5)	2,010,202	6.0
Jennifer Savage (6)	2,028,498	6.1
Columbia Wanger Asset Management LP (7)	2,043,700	6.1
Neuberger Berman Inc. (8)	2,615,371	7.8
All directors and executive officers as a group (22 people) (9)	3,586,534	10.3

* Less than 0.1%.

(1) Except as otherwise stated in notes (2) through (4) below, beneficial ownership of the shares held by each of the directors, executive officers and affiliates consists of sole voting power and sole investment power, or of voting power and investment power that is shared with the spouse of the director, executive officer or affiliate. Beneficial ownership of the shares held by the non-employee directors includes the right to acquire shares on or before February 24, 2009 under the provisions of the 2004 Long-Term Performance Plan and the Directors Deferred Compensation Plan in the following share equivalent unit and restricted share unit amounts: Mr. Colville, 29,105 shares; Mr. Ginn, 2,436 shares; Mr. Hardis, 55,408 shares; Dr. Ignat, 16,296 shares; Mr. Keithley, 13,448 shares; Mr. Madar, 27,529 shares; Mr. Merriman, 2,436 shares; Ms. Puma, 17,397 shares; Mr. Robinson, 17,574 shares; and Mr. Rosen, 16,342 shares. Restricted share units convert to share equivalent units on a one-to-one basis two years after the grant date. The share equivalent units convert to common shares on a one-to-one basis at the time of a director s retirement, death or disability.

(2)

These include the right to acquire shares through the exercise of stock options on or before February 24, 2009 and the settlement of performance units awarded by the Compensation Committee on December 4, 2008 in amounts as follows: Mr. Campbell, 375,824 shares; Mr. Hellman, 243,017, Mr. Keane, 59,094 shares; Mr. Groos, 22,425 shares; Mr. Dunn, 38,739 shares, and Mr. Thaxton, 8,252. Settlement of the performance units occurred on January 9, 2009.

(3) With respect to Mr. Campbell, the number of shares includes 22,083 share equivalent units he holds under the Nordson Corporation 2005 Deferred Compensation Plan. The share equivalent units convert to common shares on a one-to-one basis at the time of Mr. Campbell s retirement or termination of employment pursuant to the distribution provisions of the Plan.

(4) These include 12,000 shares held by the Ginn Family Fund. As a trustee of the Ginn Family Fund, Mr. Ginn has shared voting power and shared investment power with respect to these shares. The shares held by the Ginn Family Fund are pledged as security. These also include 481,340 shares held by Mr. Ginn as nominated successor trustee of The Walter Nord Trust. As of the record date, Mr. Ginn has sole voting and investment power with respect to these shares.

(5) These shares include 308,582 shares held jointly by Ms. Nord and her children as trustees of the Eric and Jane Nord Foundation and 881,268 shares held jointly by Ms. Nord and Ms. Savage as co-trustees of the Eric T. Nord Main Trust dated April 1, 2003. Ms. Nord has shared voting and investment power with respect to these shares.

(6) The shares include: (a) 132,144 shares held by the Eric Nord & Jane Nord Grandchildren Trusts dated December 9, 1993, of which Ms. Savage is the sole trustee, (b) 881,268 shares held by the Eric T. Nord Main Trust dated April 1, 2003, of which Ms. Savage is a co-trustee, (c) 15,086 shares held by the Emily Nord & TK McClintock Trust dated December 19, 2002, of which Ms. Savage is a co-trustee, and (d) 1,000,000 shares owned by the Jane B. Nord Grantor Retained Annuity Trust dated December 10, 2008, of which Ms. Savage is the sole trustee. Ms. Savage has shared voting and investment power with respect to all shares held by trusts for which she serves as a co-trustee. Ms. Savage is a partner with Thompson Hine LLP, which has in the past provided and continues to provide legal services to us.

(7) Based on most recent Form 13F filings; Columbia Wanger Asset Management LP is a registered investment advisor and is located at 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606.

(8) Based on a Schedule 13G filed jointly on February 12, 2008 by Neuberger Berman Inc. and Neuberger Berman, LLC. These entities have sole voting power of 41,765 of these shares, shared voting power of 1,486,934 of these shares and shared investment power of all of these shares, and are located at 605 Third Avenue, New York, New York 10158.

(9) Beneficial ownership of the shares held by each of the directors and executive officers as a group consists of sole voting power with respect to 8,350 shares, sole voting and sole investment power with respect to 2,507,221 shares, shared voting power and shared investment power with respect to 12,000 shares, and the right to acquire 1,058,963 shares on or before February 24, 2009.

As of December 26, 2008, our present and former directors, officers and employees and their families beneficially owned over 10 million Nordson Common Shares, representing 31% of the outstanding shares. We are party to an agreement that, with some exceptions, gives us a right of first refusal with respect to proposed sales of our common shares by members of the Nord family and The Nord Family Foundation.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than ten percent of our common shares to file reports of ownership and changes in ownership of our common shares held by them with the Securities and Exchange Commission. Copies of these reports must also be provided to us.

Based on our review of these reports, we believe that, during the fiscal year ended October 31, 2008, all reports were filed on a timely basis by reporting persons.

Share Ownership Guidelines for Directors

The Board strongly believes that the directors should have a meaningful ownership interest in the company and has implemented share ownership guidelines for directors. The ownership guidelines require directors to own a minimum of five times their annual cash retainer in common shares (shares held in the form of stock equivalent units or restricted share units qualify as shares owned under the guidelines). Newly elected directors have five years within which to achieve the share ownership requirement. All directors except Mr. Merriman have met the share ownership guidelines as of the date of this proxy statement. With his election as a director occurring on August 26, 2008, Mr. Merriman will have until August 2013 to reach his required share ownership. Our share ownership guidelines may be reviewed at *www.nordson.com/corporate/governance.*

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

We have written this Compensation Discussion and Analysis to provide you with the clearest and most concise description possible of the material factors and analysis that lie beneath our compensation policies and decisions for our most senior executive officers. We have included tables and related narratives in the Summary Compensation for Fiscal Years 2008 and 2007 section of this proxy statement that will show you the types and amounts of compensation and benefits we pay to our most senior executive officers. In this section, we discuss and analyze the reasons why we paid our most senior executive officers the types of compensation and benefits described in the tables and narratives for 2008. We also discuss and analyze how we determined the specific amounts of compensation and benefits to pay our most senior executive officers.

After you read this section, you should have a clear and complete picture of our executive compensation program and how it operates for the following executive officers, who we refer to in this proxy statement as our named executive officers for fiscal year 2008:

Edward P. Campbell, Chairman of the Board and President and Chief Executive Officer;

Peter S. Hellman, former President, Chief Financial and Administrative Officer;

Gregory A. Thaxton, Vice President, Chief Financial Officer;

Robert A. Dunn, Jr., Senior Vice President;

John J. Keane, Senior Vice President; and

Michael Groos, Vice President.

This Compensation Discussion and Analysis discloses future company performance targets and goals. You should read and understand these targets and goals only as they relate to our executive compensation program. We are not providing these targets and goals as guidance or as statements of management s expectations or estimates of our current or future results.

Executive Summary

We have a strong pay-for-performance philosophy, which seeks to reward the achievement of performance goals and align our executive officers interests with those of our shareholders. Our performance in fiscal year 2008 exceeded expectations for revenue, earnings per share, operating margin and income and return on equity:

Sales growth of 13% to a record $1.1 billion in sales;

Diluted earnings per share grew a record 29% to $3.43 per share;

Operating margin grew to 17% of sales;

Operating income grew to a record $190.3 million; and

Return on equity increased to 20%.

This record performance was reflected in the total compensation paid to the named executive officers.

Each of the named executive officers except Mr. Hellman participated in our annual cash incentive program, which had a growth in earnings per share target of 8% and return on invested capital target of 15%. Our actual earnings per share and return on invested capital both exceeded their respective maximum performance measure, resulting in a maximum award payout to the named executive officers. All of the named executive officers participated in the long-term incentive plan for the fiscal year 2006-2008 performance period, which had threshold, target and maximum goals of cumulative earnings per share of $6.82, $7.15, and $8.08 and cumulative revenue of $2,778,900,000, $2,914,500,000, and $3,290,600,000. Actual performance for the

2006-2008 performance period exceeded the maximum earnings per share measure and was between the target and maximum for the cumulative revenue measure, resulting in long-term incentive plan payouts that were 164% of target.

All named executive officers except Mr. Hellman received equity awards (non-qualified and incentive stock options) in fiscal year 2008 that were designed to contribute to our total direct compensation target of approximately the 65th percentile of our peer group. Stock options granted on November 4, 2004 and later have exercise prices that as of December 26, 2008 were below the market price of our common shares and these stock options will not provide compensation to executives until the stock price increases above the exercise prices.

We adopted the Amended and Restated 2004 Nordson Corporation Management Incentive Compensation Plan and the Amended and Restated 2004 Nordson Corporation Long-Term Performance Plan, which our shareholders approved at the 2008 Annual Meeting. These plans are intended to allow the Compensation Committee to structure executive officer incentive compensation to maximize our ability to deduct compensation payments for tax purposes. Following an independent review of the employment agreements with our executive officers that become effective upon a change-in-control and during its December 10, 2008 meeting, our compensation committee approved retention agreements for our executive officers (other than our Chief Executive Officer) that more closely aligned the benefits afforded an executive officer in the event of a change in control with those benefits offered by our peer group. The retention agreements, which replace the present employment agreements, are discussed in the Change in Control Severance Agreements section of this Compensation Discussion and Analysis.

SUMMARY OF FISCAL YEAR 2008 COMPENSATION ELEMENTS

The table below summarizes the elements of our fiscal year 2008 executive compensation program for our named executive officers.

Element	Description	Purpose
Base Salary	Fixed annual cash component based on competitive market analysis; and adjustments are based on an individual s current and expected performance and pay relative to the market Targeted at the median of peer group or salary survey data	Foundation of total direct compensation; recognizes the level of job scope and complexity; recognizes the level of current performance and sustained performance; and helps us retain and motivate exceptional executive talent
Annual Incentive	Annual performance-based cash opportunity; and amount earned will vary relative to the targeted level based on company, business unit and individual results Total cash compensation (base salary plus performance-based cash compensation) targeted at the 65th percentile of peer group. Actual payout varies based on actual annual	Motivates executives to achieve annual financial, operating and individual performance objectives

performance

Element	Description	Purpose
Long-Term Incentive		
Stock options	Performance-based equity award with value tied to share price; amounts earned/realized will vary from grant date price based on actual share price at exercise; and generally vest in 25% annual installments over four years Sum of long-term incentive (stock options and performance shares) targeted at the 65th percentile of peer group	Creates a strong financial incentive for achieving or exceeding long-term performance goals; encourages a significant equity stake in the company; and aligns executive and shareholder interests
Performance shares	Performance-based equity award opportunity; and amounts earned/realized will vary from grant-date price based on actual financial and share price performance Sum of long-term incentive (stock options and performance shares) targeted at the 65th percentile of peer group	Strengthens alignment of our executive team s interests with those of our shareholders; rewards long-term achievement of specific company goals; and encourages a significant equity stake in the company
Retirement Benefits		
401(k) defined contribution plan	Qualified defined contribution plan is a standard tax-qualified benefit provided to our U.S.-based employees; is subject to limitations on compensation under the Internal Revenue Code; and includes a company match element	Provides tax-deferred vehicle for retirement income accumulation
Deferred compensation	Income deferral and 401(k) restoration plan; includes a company match element	Provides tax-deferred vehicle for retirement income accumulation; and restores benefits that are limited by the Internal Revenue Code in the qualified plan for our most highly paid executives
Defined benefit pension plan	Qualified defined benefit plan is a standard tax-qualified benefit provided to our U.S.-based employees; and subject to	Provides tax-deferred vehicle for retirement income accumulation

limitations on benefits under the
Internal Revenue Code

Element	Description	Purpose
Non-qualified supplemental executive retirement plan (defined benefit)	Supplemental pension restoration plan; intended to replace 55% of an executive officer s income	Restores pension benefits that are limited by the Internal Revenue Code in the qualified plan
Health and Other Welfare Benefits	Broad-based employee benefits program available to our U.S.-based employees, including health, life insurance and disability plans	Provides eligible employees with a competitive fringe benefit package
Benefits Upon Termination Following Change-in-Control	Contingent component; and only payable if an executive officer s employment is terminated following a change-in-control event	Provides incentive and security to our executive officers in the transition following a change-in-control and helps us retain key executive talent during critical times of significant corporate risk
Perquisites	Annual executive physical exam, supplemental long-term disability insurance, tax planning or preparation services, country and professional club expenses and automobile allowance	Provides competitive benefits to promote the health, well-being and financial security of the executive officers; and provides a venue for business meetings or business entertainment

Mr. Groos does not participate in the 401(k) defined contribution plan, which is available to U.S.-based employees only. Mr. Groos participates in the statutory pension plan and other social and welfare (health) benefit plans sponsored by his employer, Nordson Deutschland GmbH, a wholly-owned subsidiary of the company. The benefits provided under these Nordson Deutschland GmbH plans are available to all employees of Nordson Deutschland GmbH. Mr. Groos also participates in a supplemental pension plan that is described later in this Compensation Discussion and Analysis under the caption Supplemental Executive Retirement Plan (Defined Benefit).

The following provides a brief overview of the topics that we discuss in detail in this Compensation Discussion and Analysis:

- the philosophy and objectives of our executive compensation program;
- the compensation process and procedures where we discuss (a) the respective roles of the Compensation Committee, the executive compensation consultant and management in establishing executive compensation and (b) the allocation of executive compensation between short-term and long-term elements, between cash and non-cash elements and between different forms of non-cash elements;
- a detailed discussion of how we set base salary and annual and long-term incentive compensation for executive officers for fiscal year 2008;
- a review of non-cash based benefits provided to our executive officers;

a discussion of severance and other benefits our executive officers would receive upon termination of employment;

a review of perquisites that executive officers receive;

a statement of our equity grant policy; and

a discussion of our share ownership policy for executive officers.

Philosophy and Objectives

Our executive compensation program philosophy is that we should pay our named executive officers for their work on our behalf in ways that align their personal financial interests with the investment interests of our shareholders, with a specific focus on paying for performance. To us, paying for performance means that we pay our named executive officers different types and amounts of compensation based on their successful implementation of our strategic objectives and the degree to which our annual operational and financial objectives are achieved. By basing executive pay primarily on the achievement of these corporate objectives, we establish a direct link between executive compensation and the long-term interests of our shareholders.

The core objectives of our executive compensation program are to:

- encourage and reward named executive officer performance that achieves or exceeds our significant financial and operational performance goals without encouraging the taking of excessive risks that could be detrimental to the interests of our long-term shareholders;

- encourage and reward our named executive officers for their experience, expertise, level of responsibility, seniority, leadership qualities, advancement, individual accomplishment and other significant contributions that enhance shareholder value and our success;

- retain and motivate highly-talented and ethical individuals who are focused on helping us achieve long-term success; and

- provide compensation packages that are competitive when compared to pay arrangements offered by companies with which we compete to attract talented executive employees.

Compensation Process and Procedures

Role of the Compensation Committee

The Compensation Committee of our Board of Directors, which we refer to in this section of the proxy statement as the Committee, has primary responsibility for designing our executive compensation program and for making compensation decisions under the program. In fulfilling its duties and responsibilities, the Committee each year seeks input, advice and recommendations from an executive compensation consultant and other resources, including recommendations from our Chief Executive Officer, on the compensation and performance of our executive officers. The Committee is not bound by the input, advice or recommendations it receives. Instead, the Committee at all times exercises independent judgment in its executive compensation decisions. We provide more detailed information about the Committee s processes and procedures for making compensation decisions under the Corporate Governance section of this proxy statement and in the narratives to the compensation tables in the next major section of this proxy statement.

The Committee meets in executive session to determine all elements of our Chief Executive Officer s total compensation base salary, annual incentive compensation, and long-term equity-based incentives. Our Chief Executive Officer does not offer the Committee any recommendations for his compensation.

Role of the Compensation Consultant

The Committee has engaged Mercer, an internationally recognized human resources consulting firm, as its outside executive compensation consultant for fiscal year 2008. Mercer reports directly to the Chairman of the Committee.

Mercer provides relevant market data, advice, alternatives and recommendations to the Committee with regard to the compensation of executive officers. Specifically, the Committee asks Mercer to collect and analyze proxy data for our peer group, which is a term we use to describe a particular group of companies that meet certain specific criteria and are picked as companies comparable to us in terms of compensation practices. While no single company in our peer group competes with us across all of our businesses, we believe that our peer companies as a group operate in markets and compete for executive talent in a manner sufficiently similar to us. As a result, our peer group is an appropriate group of companies against which the Committee can establish performance goals, evaluate performance and establish compensation. We provide more detailed information about Mercer s instructions, responsibilities, processes and interaction with the Committee under the discussion of how the Committee determined executive compensation for fiscal year 2008 later in this Compensation Discussion and Analysis.

Role of Executive Officers

Our Chief Executive Officer and Vice President, Human Resources review Mercer s analyses and assessments, develop initial recommendations for base salary adjustments and incentive compensation for our named executive officers (other than our Chief Executive Officer) for the next fiscal year, and present management s initial recommendations to the Committee. More specifically, our Chief Executive Officer and Vice President, Human Resources have the following roles in preparing management s initial recommendations for the Committee:

Chief Executive Officer

- provides annually to the Committee a self-assessment of his performance for the fiscal year;
- attends the Committee s meetings but is not present during executive sessions;
- attends an annual review by Mercer of our executive officer compensation compared to that paid by members of our peer group companies;
- makes recommendations to the Committee about designs for and, if warranted, changes to our annual and long-term incentive programs;
- provides the Committee each year with an assessment of each executive officer s performance compared to pre-established performance goals; and
- recommends annually to the Committee base salary adjustments, target award levels under the annual incentive plan, and long-term incentive awards.

Vice President, Human Resources

- develops written background and supporting materials for review by the Committee prior to its meetings;
- attends the Committee s meetings but is not present during executive sessions;
- attends an annual review by Mercer of our executive officer compensation compared to that paid by members of our peer group companies; and
- makes recommendations to the Committee about designs for and, if warranted, changes to our annual and long-term incentive programs.

With respect to the assessment of executive officers performance, at the beginning of each fiscal year, our executive officers provide our Chief Executive Officer with a list of their individual goals and objectives for the upcoming year. For executive officers in charge of one of our business segments, their individual goals include elements of corporate financial performance and business segment operational measures such as segment revenue growth and operating income. Our Chief Executive Officer approves these individual objectives at the beginning of the fiscal year, and then reviews them at the end of the fiscal year in order to determine whether an adjustment, if any, should be made to an individual executive officer s payout under the annual incentive compensation program.

The Committee reviews our Chief Executive Officer s recommendations regarding adjustments to payouts under the annual incentive compensation program and discusses them with Mercer. The Committee believes that this review helps ensure that our Chief Executive Officer s compensation recommendations are in line with the executive compensation program s stated philosophy and objectives, and are reasonable when compared to our competitive market.

Allocation of Executive Compensation

In line with our paying for performance philosophy, our executive compensation program is designed to allocate a greater proportion of our named executive officers total compensation (as compared to that for other employees) to elements that are based on both short-term and long-term corporate performance. Each of the performance-based elements of compensation within those categories is directly tied to appreciation of our share price and/or to significant financial and operational performance goals. More than one-half of the targeted total compensation for our executive officers is, therefore, at risk and may significantly fluctuate from year to year based on our financial, operational and share performance.

Stock options provide a return to the recipient only if our share price increases. The annual cash incentive compensation and long-term incentive compensation elements of our executive compensation program provide a return to our executive officers only if we meet certain financial and operational performance goals.

The total compensation mix for our named executive officers is consistent with the mix of compensation elements within our peer group. Our Chief Executive Officer receives a higher proportion of his total compensation allocated to performance-based components than non-performance-based components, and more allocated to equity-based compensation than cash-based compensation compared to our other named executive officers. This compensation mix approach is consistent with that used for chief executive officers within the peer group.

The Committee structures the program in this manner because executive officers have greater responsibility and influence over the performance of our business. The Committee does not have any formal policies or guidelines with respect to the allocation of executive compensation between short-term and long-term elements, cash and non-cash elements or different forms of non-cash elements. In practice, however, the Committee has taken the following approaches:

Allocation Between Short-Term and Long-Term Compensation Elements

The Committee considered the input, advice and recommendations from Mercer for fiscal year 2008 to set each named executive officer s compensation for fiscal year 2008. For base salary, the Committee accepted Mercer s recommendation to set a target for each named executive officer at approximately the median of either his or her comparable position within our peer group or salaries for similar positions at similarly-sized companies using salary survey data. The amount of target annual incentive compensation for each named executive officer was set such that each named executive officer s base salary plus target annual bonus was approximately equal to the 65th percentile of peer group annual cash compensation for executive officers with comparable responsibilities. We chose this benchmark because our performance targets are estimated to be at the 65th percentile of the peer group performance over a business cycle. The Committee also reviewed peer group data in setting target long-term compensation, which includes both long-term incentive awards and stock options. Target long-term compensation was set for each named executive officer at approximately the 65th percentile of peer group long-term compensation.

Allocation Between Different Forms of Non-Cash Compensation Elements

Taking into account Mercer s recommendation, the Committee allocates 50% of the total target value of each named executive officer s long-term incentive compensation to stock options and 50% to long-term incentive performance shares. The Committee takes this approach to balance the allocation between performance shares, which are earned based on long-term financial, operational and strategic measures, and stock options, the value of which is based on long-term performance of our common shares. The Committee does not allocate an unbalanced percentage to stock options to avoid any appearance that the executive compensation program is a positive or negative indicator of current common share value or anticipated common share performance.

Analysis of Fiscal Year 2008 Compensation Decisions

Initial Process and Considerations

Each year, the Committee instructs the consultant to analyze the proxy statement data of our peer group of companies and other broad surveys and assess competitive market compensation data relating to salary, annual incentive and long-term incentive in the context of the purpose and objectives of the executive compensation program. The Committee provided Mercer with preliminary instructions regarding the objectives of the fiscal year 2008 executive compensation program and the parameters of the competitive review of executive total direct compensation programs to be conducted by Mercer. In particular, the Committee instructed Mercer to:

- test both the competitiveness of our executive officer compensation packages within the market and the reasonableness of the packages given our performance relative to our peer group, as measured by diluted earnings per share and return on average capital;
- benchmark all components of compensation, including base salary, total target compensation (base salary plus cash incentive compensation), total actual cash compensation and equity-based long-term incentive awards;
- assess the continued applicability of our peer group;
- assess the alignment between executive officer compensation and our financial performance; and
- analyze our internal compensation model and guidelines and compare them to our peer group and actual compensation practices. For purposes of analyzing our performance against that of our peer group, the Committee instructed Mercer to organize its analysis around our business segments and general corporate executive positions.

The Committee then discussed Mercer s assessment and its recommendations.

We established our peer group by selecting companies with revenues ranging in size from approximately one-half to two times our revenue, a significant portion of their business located or transacted internationally and a business focus on precision industrial manufacturing. Our peer group for fiscal year 2008 executive compensation decisions did not change from fiscal year 2007, and again consisted of:

Actuant Corp.	Graco Inc.
Albany International Corp.	Idex Corp.
Ametek Inc.	Kulicke & Soffa Industries Inc.
Barnes Group Inc.	Milacron Inc.
Donaldson Inc.	Novellus Systems Inc.
Drew Industries Inc.	Robbins & Myers Inc.
Esterline Technologies Corp.	Roper Industries Inc.
Gerber Scientific Inc.	Watts Water Technologies Inc.

Primary Compensation Allocation

Our total compensation program is designed to overall provide 65th percentile total compensation relative to the peer group for 65th percentile performance, but that specific elements may vary from the target positioning by individual. The consultant provides the Committee with benchmark data with respect to all elements of an executive officer s total direct compensation: base salary, annual cash incentive compensation, and long-term equity-based incentive compensation. Included as benchmark data are longer-term reviews of our performance and compensation paid to our executive officers compared to that of our peer group. The Committee s practice is to set performance levels that will be retained through a complete ten-year business cycle, not just for periods of one or three years. Therefore, it is expected that positioning of target performance levels relative to actual peer company performance will vary through a business cycle.

The following table summarizes the allocation, on a percentage basis, among the following primary elements of compensation for our named executive officers for fiscal year 2008: base salary; payouts under the annual cash incentive plan; performance share payouts for the 2006-2008 performance period under the long-term performance plan (valued using the fair market value of Nordson common shares on the date the payout is determined); and the grant date fair value of stock options granted in fiscal year 2008:

Element	Campbell	Hellman	Thaxton	Dunn	Groos	Keane
Base Salary	16.4%	25.0%	36.9%	26.3%	33.3%	22.8%
Annual Cash Incentive	32.7%	0.0%	40.5%	36.8%	33.3%	32.0%
Long-Term Incentive	50.9%	75.0%	22.6%	36.8%	33.3%	45.2%

Mr. Hellman did not participate in the annual cash incentive plan for fiscal year 2008 due to his retirement in January 2008.

Base Salary

In general, we pay base salaries each year to our named executive officers to recognize and reward their experience, expertise, level of responsibility, seniority, leadership qualities, advancement, individual accomplishment, and other significant contributions to the enhancement of shareholder value and our success. Paying competitive base salaries also helps us attract, motivate and retain highly-talented and ethical individuals.

The Committee established base salaries for fiscal year 2008 for each of the named executive officers after considering Mercer s annual review of base salaries for comparable positions within our peer group and our Chief Executive Officer s annual performance reviews of the named executive officers. For fiscal year 2008, the named executive officers received the base salaries included in the Salary column of the Summary Compensation Table for Fiscal Years 2008 and 2007 in this proxy statement. Those amounts reflect the following increases in base salaries compared to base salaries at the end of fiscal year 2007:

Name	% Increase from Fiscal Year 2007 Base Salary	Increase in $ from Fiscal Year 2007 Base Salary
Edward P. Campbell	3.4%	25,000
Peter S. Hellman		
Gregory A. Thaxton	15.8%	30,000
Robert A. Dunn, Jr.	3.6%	12,000
Michael Groos	2.1%	10,445
John J. Keane	3.4%	10,000

Mr. Hellman retired as our President and Chief Financial and Administrative Officer on January 2, 2008 and did not receive an increase in his base salary for fiscal year 2008.

Mr. Groos base salary increase was 7,000 . The Euro to US dollar conversion rate for this table was 1 = US$1.4921.

The Committee met in executive session to determine Mr. Campbell s fiscal year 2008 base salary. Mr. Campbell did not offer the Committee any recommendation as to an adjustment to his base salary. The Committee s salary decisions for each named executive officer was based on both the average increase being paid to all executive officers and the amount being paid to the named executive officer s peer group counterparts, with an objective of moving each named executive officer s base salary more toward the median base salary paid to their counterparts in our peer group. When establishing fiscal year 2008 base salaries for each of the named executive officers, the Committee also took into consideration the amounts it was setting as the named executive officer s annual incentive compensation and long-term incentive compensation opportunities (as discussed further below). These actions produced the resulting proportions of base salary, annual incentive and long-term incentive opportunity shown in the table above for each of the named executive officers, and allowed the Committee to meet its general objective of setting total short-term compensation (base salary and annual incentive compensation) and long-term incentive compensation opportunities at the 65th percentile of total short-term and long-term incentive compensation paid to the peer group officers.

An additional element affecting compensation for Mr. Groos is that he operates in Europe and his cash compensation is paid in Euros. The strength of the Euro relative to the U.S. dollar has worked to increase Mr. Groos compensation relative to executives in our peer group who are paid in U.S. dollars.

Annual Incentive Compensation

We pay annual incentive compensation to help fulfill our philosophy of paying for performance. Our named executive officers earn annual incentive compensation only when we satisfy key performance criteria that are aligned with the investment interests of our long-term shareholders. When we achieve our performance goals, our shareholders should benefit in terms of their investment, and our named executive officers benefit by receiving annual incentive compensation. By tying annual incentive compensation achievement to the achievement of performance goals, the Committee views this portion of the named executive officers compensation as significantly at risk, and as a way to balance our short-term and long-term objectives. The annual incentive component of our compensation program also supports our core objective of providing total compensation opportunities to our named executive officers that are competitive within our talent market and help us attract, hire and retain outstanding executive talent.

In general, target annual cash incentive compensation opportunities are established by the Committee as a percentage of each named executive officer s base salary and, in combination with base salary, are targeted at the 65th percentile of total short-term compensation paid by our peer group. For fiscal year 2008, the target annual cash incentive compensation opportunities for our named executive officers as a percentage of their base salaries were as follows: Mr. Campbell, 100%; Mr. Thaxton, 55%; Mr. Dunn, 70%; Mr. Groos, 50% and Mr. Keane, 70%. The Committee did not set a target annual cash incentive opportunity for Mr. Hellman given his pending (January 2008) retirement. Instead, under his retirement arrangement with us, Mr. Hellman was paid $66,554, representing a pro rata share of his target annual incentive compensation opportunity for fiscal year 2008 had he been employed through the end of fiscal year 2008, using his fiscal year 2007 80% of base salary target annual incentive opportunity to determine such amount.

The Committee also establishes the performance measures applicable for annual incentive compensation opportunities. The degree of achievement of annual incentive opportunities is determined based on the degree to which we achieve specific quantifiable performance targets established by the Committee for each applicable performance measure. The specific performance targets for the annual cash incentive plan reflect our annual short term operating plan objectives. In this way, the Committee directly and materially links annual cash incentive compensation to achievement in the performance measures. In the Committee s judgment, annual performance targets are set with sufficient difficulty to produce performance above the median level with the intent of our shareholders receiving an above-average return on our investment in executive compensation.

For fiscal year 2008, based on its review of Mercer s analysis and assessment, the Committee established two performance measures by which to measure annual incentive compensation achievement and payouts: return on capital and diluted earnings per share growth. The Committee considers earnings per share growth and return on capital to be performance measures critical to our financial performance and profitable growth because each of these measures offers the proper balance between growth and profitability. As a result, the Committee has weighted each performance measure evenly in terms of determining annual incentive compensation payouts. More specifically:

Return on capital measures the amount of profitability per unit of capital invested by management to generate earnings and is also easily compared to peer group companies performance. Under the Committee s methodology of calculating return on capital, a capital charge is applied to unamortized goodwill, and capital is net of cash, marketable securities and unamortized goodwill.

Diluted earnings per share growth measures the rate at which management has succeeded in increasing the profits per unit of ownership by shareholders. Earnings per share growth is easily compared among peers and the measure is commonly used by the investment community to communicate performance. The formula we utilize for diluted earnings per share is net income divided by weighted average common diluted shares outstanding.

The Committee believes the choice of these performance measures aligns the interests of our named executive officers with those of our shareholders because achieving greater return on capital and earnings per share growth over time will drive improved shareholder return and foster maximum value for our assets.

For fiscal year 2008, the Committee established threshold, target and maximum quantitative performance levels for each performance measure as follows:

Measure	Threshold	Target	Maximum
Return on Capital	6%	15%	23%
Diluted Earnings Per Share Growth	0%	8%	16%

For the diluted earnings per share performance measure, the corresponding diluted earnings per share levels were: threshold $2.76 per share; target $2.98 per share; and maximum $3.20 per share. Actual performance for the diluted earnings per share performance was $3.43 per share and actual performance for the return on capital performance measure was 27%.

The following table sets forth the following information for fiscal year 2008 annual incentive compensation for each of our named executive officers: potential payout for achievement of each performance measure at threshold, target and maximum levels; corporate performance against combined target levels; actual payout as a percentage of target annual incentive compensation opportunity; and actual payouts (rounded to the nearest thousand dollars):

	Potential Payout ($) for Return on Capital Performance Measure			Potential Payout ($) for Diluted Earnings per Share Performance Measure			Corporate Performance Against Target	
Name	Threshold	Target	Maximum	Threshold	Target	Maximum	(%)	Payout ($)
Edward P. Campbell	191,250	382,500	765,000	191,250	382,500	765,000	200%	1,530,000
Gregory A. Thaxton	30,250	60,500	121,000	30,250	60,500	121,000	200%	242,000
Robert A. Dunn, Jr.	60,550	121,100	242,200	60,550	121,100	242,200	200%	484,000
Michael Groos(1)	63,601	127,201	254,401	63,601	127,201	254,401	200%	509,000
John J. Keane	52,500	105,000	210,000	52,500	105,000	210,000	200%	420,000

(1) The dollar amount of Mr. Groos payment reflects the average annual Euro U.S. dollar exchange rate for fiscal year 2008: 1 = US$ 1.4921.

Based on our achieving performance that exceeded the specific quantitative maximum performance levels established for each performance measure, and after considering Mercer s and Mr. Campbell s analysis and assessment, the Committee determined individual payouts under the annual incentive compensation plan for Messrs. Thaxton, Dunn, Groos and Keane would be at the maximum amount. The Committee did not exercise any discretion to adjust downward the payout based on individual executive officer performance.

For Mr. Campbell, the Committee also considered Mr. Campbell s involvement in leading the company to achieve the following performance records:

Revenue grew to a record $1.1 billion, an increase of 13 percent over fiscal year 2007 revenue;

Operating income grew to a record $190.3 million, an increase of 25 percent over fiscal year 2007 operating income;

Operating margin grew to 17% of sales, an increase of 2 percent over fiscal year 2007 operating margin;

Diluted earnings per share grew to a record $3.43, an increase of 29 percent over fiscal year 2007 diluted earnings per share;

Return on invested capital was a record 23%; and

Total selling and administrative expenses as a percent of sales was less than 40% of sales for the first time since 1980.

The amount of cash incentive compensation paid to each named executive officer for fiscal year 2008 is included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for Fiscal Years 2008 and 2007 in this proxy statement.

Long-Term Incentive Compensation

We pay long-term incentive compensation to also help fulfill our philosophy of paying for performance. As with our short-term incentive compensation, our named executive officers earn long-term incentive compensation only when we satisfy key performance criteria that are aligned with the investment interests of our long-term shareholders. Due to this at risk form of compensation, when we achieve our long-term performance goals, our shareholders should benefit in terms of their investment, and our named executive officers will benefit by receiving their long-term incentive compensation. The long-term incentive component of our compensation program also supports our core objective of providing total compensation opportunities to our named executive officers that are competitive within our talent market and help us attract and retain outstanding executive talent.

Our named executive officers receive long-term incentive compensation consisting of both long-term incentive awards in the form of three-year performance share opportunities and stock options. The measures we set for the three-year performance period are based on our long-term strategic objectives. Performance share awards and stock options work together to align the long-term financial interests of our executive officers with those of our long-term shareholders. In general, the Committee bases the target amount of the long-term incentive awards and the number of stock options granted to our named executive officers on similar compensation for persons holding comparable positions within our peer group, as reflected in Mercer s annual peer group analysis and assessment.

Long-Term Incentive Plan

Fiscal Year 2006-2008 Performance Period. Based upon Mercer s annual assessment and review, the Committee established the following threshold, target, and maximum cumulative earnings per share growth and cumulative revenue growth performance measures for the fiscal year 2006-2008 performance period:

Measure	**Threshold**	**Target**	**Maximum**
Cumulative Earnings Per Share Growth	5%	7.5%	14%
Cumulative Revenue Growth	5%	7.5%	14%

For the cumulative earnings per share growth measure, the corresponding cumulative earnings per share levels were: threshold $6.82 per share; target $7.15 per share; and maximum $8.08 per share. For the cumulative revenue growth measure, the corresponding revenue levels were: threshold $2,777,900,000; target $2,914,500,000; and maximum $3,290,600,000.

These measures were chosen because they offer a balance between growth and profitability. As a result, the Committee weighted each performance measure evenly in terms of determining 2006-2008 performance period payouts. More specifically,

Cumulative earnings per share growth measures the rate at which management has succeeded in growing profits on a sustained basis over a three-year period. It is the constant percentage by which earnings per share would need to grow over a base period amount during a three-year period such that the sum of earnings per share calculated at such constant growth rate for such three years is equal to the sum of the actual earnings per share earned over the same three-year period. It is a superior measure of sustained earnings growth because it is influenced by the earnings performance during each year of the performance period rather than simply a compound growth rate that compares the final year s earnings to the base period amount.

Cumulative revenue growth is a similar measure to cumulative earnings per share growth except that it measures the rate at which management has succeeded in growing revenue on a sustained basis over a three-year period. While the growth in profits and profitability are of primary importance, management is also expected to grow our size and scale, and cumulative revenue growth is an effective measure of their success in doing so.

The Committee believes these two measures together align the interests of our named executive officers with those of our shareholders because achieving sustained earnings per share growth and revenue growth over time will drive improved shareholder return and foster maximum value for our assets.

For the fiscal year 2006-2008 performance period, which has just come to a close, performance exceeded the maximum performance level for cumulative earnings per share growth and was between target and maximum performance level for cumulative revenue growth during the three-year period. Cumulative earnings per share for the three-year period were $8.89, which is equivalent to a constant annual growth rate of 19.3% over the three-year performance period after adjusting for the change in accounting for the expensing of stock options. Cumulative revenue for the three-year period was $3,016.6 million, which is equivalent to a constant annual growth rate of 9.3% over the three-year performance period. We included revenue from discontinued operations during the years in which we owned these operations. In calculating cumulative earnings per shares growth, we reduced both base year and fiscal year 2005 diluted earnings per share by $.08 to reflect on a consistent basis the effect of the accounting charge for stock options that began with fiscal year 2006.

In determining the actual payout of performance shares for the 2006-2008 performance period we reviewed the actual performance against the pre-established threshold, target and maximum measures for each performance element. The following table sets forth the following information for the 2006-2008 performance period for each of our named executive officers: potential payout (in number of shares) at threshold, target and maximum levels; corporate performance as a multiple of the target level; and actual payouts (rounded to the nearest whole share):

	Potential Payout (# Shares)			Performance as Multiple of	Payout
Name	**Threshold**	**Target**	**Maximum**	**Target**	**(# Shares)**
Edward P. Campbell	13,000	26,000	52,000	1.64	42,536
Peter S. Hellman(1)	4,333	8,667	17,333	1.64	14,179
Gregory A. Thaxton(2)	300	600	1,200	1.64	982
Robert A. Dunn, Jr.	2,350	4,700	9,400	1.64	7,689
Michael Groos	2,800	5,600	11,200	1.64	9,162
John J. Keane	3,250	6,500	13,000	1.64	10,634

(1) The potential payouts for the fiscal year 2006-2008 performance period represent Mr. Hellman s proportionate share of the fiscal year 2006-2008 payout. Under the Compensation Committee Rules governing the Long Term Incentive Plan, Mr. Hellman s proportionate share of the fiscal year 2006-2008 payout is determined by multiplying the payout by a fraction, the numerator which is the number of months Mr. Hellman was employed as an executive officer during the performance period (28 months) and the denominator being 36 months.

(2) Mr. Thaxton s payout is based on an award made prior to his being elected an executive officer.

Fiscal Year 2007-2009 Performance Period. Using the same process as was used to establish the threshold, target, and maximum cumulative earnings per share growth and cumulative revenue growth performance measures for the fiscal year 2006-2008 performance period, the Committee has established the following threshold, target, and maximum cumulative earnings per share growth and cumulative revenue growth performance measures for the fiscal year 2007-2009 performance period:

Measure	Threshold	Target	Maximum
Cumulative Earnings Per Share Growth	5%	7.5%	14%
Cumulative Revenue Growth	5%	7.5%	14%

For the cumulative earnings per share growth measure, the corresponding cumulative earnings per share levels are: threshold $8.77 per share; target $9.20 per share; and maximum $10.39 per share. For the cumulative revenue growth measure, the corresponding revenue levels are: threshold $2,973,200,000; target $3,119,400,000; and maximum $3,522,000,000.

The following table provides information for the fiscal year 2007-2009 performance period:

		Potential Payout (# Shares)		
%	12/31/26	3,200,000	3,200,000	(a)

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	**Rate**	**Maturity Date**	**Face Amount**	**Value**
Commercial Banks continued				
NB Capital Trust II, Junior Subordinated Notes	7.830%	12/15/26	1,310,000	$ 1,288,713
Royal Bank of Scotland Group PLC, Junior Subordinated Notes, Medium-Term Notes	7.640%	9/29/17	7,000,000	4,235,000(d)
Total Commercial Banks				***8,723,713***
Consumer Finance 0.5%				
Ally Financial Inc., Senior Notes	8.000%	11/1/31	2,000,000	***1,965,000***
Diversified Financial Services 2.4%				
Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities	10.250%	8/15/39	3,770,000	3,937,199
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	1,000,000	1,030,000
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	3,140,000	3,202,800
Residential Capital LLC, Junior Secured Notes	9.625%	5/15/15	1,380,000	1,229,925
Total Diversified Financial Services				***9,399,924***
Insurance 0.1%				
Dai-ichi Life Insurance Co., Ltd., Subordinated Notes	7.250%	7/25/21	470,000	***479,723***(a)(d)(e)
Real Estate Management & Development 0.3%				
Countrywide Holdings, Senior Secured Notes	10.000%	5/8/18	790,000GBP	***1,269,583***(a)
Total Financials				**21,837,943**
Health Care 5.6%				
Health Care Equipment & Supplies 0.2%				
Ontex, Senior Notes	9.000%	4/15/19	680,000EUR	***764,362***(a)
Health Care Providers & Services 3.5%				
American Renal Holdings, Senior Notes	9.750%	3/1/16	3,000,000	2,856,186(a)(b)
CRC Health Corp., Senior Subordinated Notes	10.750%	2/1/16	5,504,000	5,531,520
Crown Newco 3 PLC, Senior Notes	8.875%	2/15/19	225,000GBP	341,502(a)(c)
ExamWorks Group Inc., Senior Notes	9.000%	7/15/19	780,000	739,050(a)
INC Research LLC, Senior Notes	11.500%	7/15/19	590,000	548,700(a)
InVentiv Health Inc., Senior Notes	10.000%	8/15/18	1,210,000	1,098,075(a)
Labco SAS, Senior Secured Notes	8.500%	1/15/18	530,000EUR	664,274(a)
Tenet Healthcare Corp., Senior Notes	6.875%	11/15/31	2,610,000	2,081,475
Vanguard Health Systems Inc., Senior Notes	0.000%	2/1/16	36,000	23,220
Total Health Care Providers & Services				***13,884,002***
Health Care Technology 0.7%				
Multiplan Inc., Senior Notes	9.875%	9/1/18	2,750,000	***2,805,000***(a)
Pharmaceuticals 1.2%				
ConvaTec Healthcare E SA, Senior Notes	10.875%	12/15/18	1,530,000EUR	1,967,072(a)
ConvaTec Healthcare E SA, Senior Notes	10.875%	12/15/18	1,400,000EUR	1,799,936(a)
Giant Funding Corp., Senior Secured Notes	8.250%	2/1/18	640,000	643,200(a)

See Notes to Financial Statements.

Schedule of investments (cont d)

August 31, 2011

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Pharmaceuticals continued				
UCB SA, Subordinated Notes	7.750%	3/18/16	450,000EUR	$ 651,112(d)(e)
Total Pharmaceuticals				***5,061,320***
Total Health Care				**22,514,684**
Industrials 15.3%				
Aerospace & Defense 3.0%				
Ducommun Inc., Senior Notes	9.750%	7/15/18	600,000	606,000(a)
FGI Operating Co. Inc., Senior Secured Notes	10.250%	8/1/15	2,700,000	2,875,500
Hawker Beechcraft Acquisition Co., Senior Notes	8.500%	4/1/15	3,470,000	1,561,500
Hawker Beechcraft Acquisition Co., Senior Toggle Notes	8.875%	4/1/15	2,000,000	910,000(b)
Kratos Defense & Security Solutions Inc., Senior Notes	10.000%	6/1/17	20,000	20,450(a)
Kratos Defense & Security Solutions Inc., Senior Secured Notes	10.000%	6/1/17	2,000,000	2,065,000
Wyle Services Corp., Senior Subordinated Notes	10.500%	4/1/18	4,200,000	4,184,250(a)
Total Aerospace & Defense				***12,222,700***
Airlines 1.6%				
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	4,275,000	4,392,563(a)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	1,835,633	1,835,633
Total Airlines				***6,228,196***
Building Products 0.2%				
Shea Homes LP, Senior Secured Notes	8.625%	5/15/19	820,000	***694,950***(a)
Commercial Services & Supplies 2.3%				
ADS Tactical Inc., Senior Secured Notes	11.000%	4/1/18	2,000,000	2,010,000(a)
ALBA Group PLC & Co. KG, Senior Notes	8.000%	5/15/18	440,000EUR	618,629(a)
Altegrity Inc., Senior Subordinated Notes	11.750%	5/1/16	1,500,000	1,447,500(a)
American Reprographics Co., Senior Notes	10.500%	12/15/16	5,000,000	4,675,000
RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Notes	8.250%	2/1/21	670,000	628,125
Total Commercial Services & Supplies				***9,379,254***
Construction & Engineering 1.2%				
Abengoa Finance SAU, Senior Notes	8.875%	11/1/17	5,000,000	***4,612,500***(a)
Electrical Equipment 1.0%				
NES Rentals Holdings Inc., Senior Secured Notes	12.250%	4/15/15	4,250,000	***3,931,250***(a)
Machinery 0.8%				
Dematic SA, Senior Secured Notes	8.750%	5/1/16	1,890,000	1,814,400(a)
Heidelberger Druckmaschinen AG, Senior Notes	9.250%	4/15/18	1,500,000EUR	1,481,392(a)
Total Machinery				***3,295,792***
Marine 1.1%				
Horizon Lines Inc., Senior Secured Notes	11.000%	10/15/16	810,000	810,000(c)
Horizon Lines Inc., Senior Secured Notes	13.000%	10/15/16	1,070,000	1,070,000(b)(c)

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Marine continued				
Navios Maritime Acquisition Corp., Senior Secured Notes	8.625%	11/1/17	520,000	$ 436,150(a)
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.625%	11/1/17	1,960,000	1,643,950
Navios Maritime Holdings Inc./Navios Maritime Finance II U.S. Inc., Senior Notes	8.125%	2/15/19	680,000	557,600(a)
Total Marine				***4,517,700***
Road & Rail 2.0%				
Florida East Coast Holdings Corp., Senior Notes	10.500%	8/1/17	2,316,875	2,225,412(a)(b)
Florida East Coast Industries Inc., Senior Secured Notes	8.125%	2/1/17	1,470,000	1,470,000(a)
Jack Cooper Holdings Corp., Senior Secured Notes	12.750%	12/15/15	2,026,000	2,066,520(a)
Quality Distribution LLC/QD Capital Corp., Secured Notes	9.875%	11/1/18	2,130,000	2,137,987
Total Road & Rail				***7,899,919***
Trading Companies & Distributors 0.6%				
H&E Equipment Services Inc., Senior Notes	8.375%	7/15/16	2,520,000	***2,513,700***
Transportation 1.5%				
CMA CGM, Senior Notes	8.875%	4/15/19	1,600,000EUR	1,040,027(a)
Hapag-Lloyd AG, Senior Notes	9.750%	10/15/17	2,000,000	1,640,000(a)
Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes	9.500%	5/1/18	3,450,000	3,268,875(a)
Total Transportation				***5,948,902***
Total Industrials				**61,244,863**
Information Technology 5.5%				
Electronic Equipment, Instruments & Components 0.8%				
NXP BV/NXP Funding LLC, Senior Secured Notes	9.750%	8/1/18	3,000,000	***3,172,500***(a)
IT Services 2.1%				
Ceridian Corp., Senior Notes	12.250%	11/15/15	2,000,000	1,860,000(b)
First Data Corp., Senior Notes	10.550%	9/24/15	3,158,250	2,844,206(b)
First Data Corp., Senior Notes	11.250%	3/31/16	3,000,000	2,535,000
Sterling Merger Inc., Senior Notes	11.000%	10/1/19	1,120,000	1,099,000(a)
Total IT Services				***8,338,206***
Semiconductors & Semiconductor Equipment 2.6%				
CDW LLC/CDW Finance Corp., Senior Notes	11.000%	10/12/15	5,000,000	5,125,000
Freescale Semiconductor Inc., Senior Subordinated Notes	10.125%	12/15/16	5,000,000	5,250,000
Total Semiconductors & Semiconductor Equipment				***10,375,000***
Total Information Technology				**21,885,706**
Materials 13.7%				
Chemicals 2.1%				

Ineos Group Holdings PLC, Senior Notes	7.875%	2/15/16	1,600,000EUR	1,896,181(a)

See Notes to Financial Statements.

Schedule of investments (cont d)

August 31, 2011

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Chemicals continued				
Kerling PLC, Senior Secured Notes	10.625%	2/1/17	1,300,000EUR	$ 1,708,718(a)
Lyondell Chemical Co., Senior Secured Notes	11.000%	5/1/18	2,670,000	2,993,738
Styrolution GmbH, Senior Secured Notes	7.625%	5/15/16	1,600,000EUR	1,942,149(a)
Total Chemicals				***8,540,786***
Containers & Packaging 5.2%				
Ardagh Packaging Finance PLC, Senior Notes	9.250%	10/15/20	2,500,000EUR	3,173,769(a)
Berry Plastics Corp., Secured Notes	9.750%	1/15/21	1,390,000	1,296,175
Clondalkin Industries BV, Senior Secured Notes	8.000%	3/15/14	690,000EUR	879,677(a)
Longview Fibre Paper & Packaging Inc., Senior Secured Notes	8.000%	6/1/16	1,040,000	1,034,800(a)
Pretium Packaging LLC/Pretium Finance Inc., Senior Secured Notes	11.500%	4/1/16	4,500,000	4,443,750(a)
Reynolds Group Issuer Inc., Senior Notes	9.500%	6/15/17	1,900,000EUR	2,183,482(a)
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC, Senior Notes	9.000%	4/15/19	2,740,000	2,479,700(a)
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC, Senior Secured Notes	7.875%	8/15/19	100,000	99,500(a)
Solo Cup Co., Senior Secured Notes	10.500%	11/1/13	2,983,000	3,057,575
Viskase Cos. Inc., Senior Secured Notes	9.875%	1/15/18	2,000,000	2,030,000(a)
Total Containers & Packaging				***20,678,428***
Metals & Mining 3.2%				
Atkore International Inc., Senior Secured Notes	9.875%	1/1/18	680,000	664,700(a)
Eco-Bat Finance PLC, Senior Bonds	10.125%	1/31/13	900,000EUR	1,305,779(a)
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	3,130,000	2,973,500(a)
Mirabela Nickel Ltd., Senior Notes	8.750%	4/15/18	620,000	579,700(a)
Novelis Inc., Senior Notes	8.750%	12/15/20	1,770,000	1,871,775
Ryerson Holding Corp., Senior Secured Notes	0.000%	2/1/15	5,000,000	2,525,000
Ryerson Inc., Senior Secured Notes	12.000%	11/1/15	1,904,000	1,963,500
Tempel Steel Co., Senior Secured Notes	12.000%	8/15/16	780,000	781,950(a)
Total Metals & Mining				***12,665,904***
Paper & Forest Products 3.2%				
Appleton Papers Inc., Senior Secured Notes	10.500%	6/15/15	1,010,000	1,017,575(a)
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	3,100,000	3,038,000
NewPage Corp., Senior Secured Notes	11.375%	12/31/14	1,360,000	1,203,600(g)
PE Paper Escrow GmbH, Senior Secured Notes	11.750%	8/1/14	2,000,000EUR	3,088,477(a)
Verso Paper Holdings LLC, Senior Subordinated Notes	11.375%	8/1/16	6,000,000	4,710,000
Total Paper & Forest Products				***13,057,652***
Total Materials				**54,942,770**

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Telecommunication Services 8.2%				
Diversified Telecommunication Services 4.9%				
Cogent Communications Group Inc., Senior Secured Notes	8.375%	2/15/18	5,000,000	$ 5,231,250(a)
Intelsat Jackson Holdings Ltd., Senior Notes	11.250%	6/15/16	1,000,000	1,047,500
Intelsat Luxembourg SA, Senior Notes	11.250%	2/4/17	2,500,000	2,431,250
Level 3 Financing Inc., Senior Notes	9.250%	11/1/14	3,854,000	3,921,445
Primus Telecommunications Holding Inc., Senior Notes	10.000%	4/15/17	215,794	207,971(a)
Satelite Mexicanos SA de CV, Senior Secured Notes	9.500%	5/15/17	910,000	897,488(a)
West Corp., Senior Notes	8.625%	10/1/18	1,620,000	1,587,600
Wind Acquisition Holdings Finance SpA, Senior Notes	12.250%	7/15/17	4,505,006	4,455,550(a)(b)
Total Diversified Telecommunication Services				***19,780,054***
Wireless Telecommunication Services 3.3%				
Buccaneer Merger Sub Inc., Senior Notes	9.125%	1/15/19	1,585,000	1,592,925(a)
Cricket Communications Inc., Senior Notes	7.750%	10/15/20	2,000,000	1,785,000
Phones4u Finance PLC, Senior Secured Notes	9.500%	4/1/18	1,150,000GBP	1,446,766(a)
Phones4u Finance PLC, Senior Secured Notes	9.500%	4/1/18	150,000GBP	188,709(a)
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	7,900,000	8,137,000
Total Wireless Telecommunication Services				***13,150,400***
Total Telecommunication Services				**32,930,454**
Utilities 5.3%				
Electric Utilities 2.3%				
AES Ironwood LLC, Secured Notes	8.857%	11/30/25	810,543	834,859
Northeast Generation Co., Senior Secured Notes	8.812%	10/15/26	2,736,328	3,071,616
Reliant Energy Mid-Atlantic Power Holdings LLC, Senior Notes	9.681%	7/2/26	3,190,000	3,205,950
Texas Competitive Electric Holdings Co. LLC/TCEH Finance Inc., Senior Secured Notes	11.500%	10/1/20	2,520,000	2,142,000(a)
Total Electric Utilities				***9,254,425***
Independent Power Producers & Energy Traders 3.0%				
Dynegy Inc., Bonds	7.670%	11/8/16	1,180,000	796,500
Energy Future Holdings Corp., Senior Notes	10.875%	11/1/17	2,000,000	1,650,000
Energy Future Holdings Corp., Senior Notes	11.250%	11/1/17	2,088,200	1,691,215(b)
First Wind Holdings Inc., Senior Secured Notes	10.250%	6/1/18	1,000,000	960,000(a)
Foresight Energy LLC/Foresight Energy Corp., Senior Notes	9.625%	8/15/17	2,635,000	2,661,350(a)
Mirant Americas Generation LLC, Senior Notes	9.125%	5/1/31	3,000,000	2,835,000
Mirant Mid Atlantic LLC, Pass-Through Certificates	10.060%	12/30/28	1,461,442	1,592,971
Total Independent Power Producers & Energy Traders				***12,187,036***
Total Utilities				**21,441,461**
Total Corporate Bonds & Notes (Cost $373,353,118)				**352,720,464**

See Notes to Financial Statements.

Schedule of investments (cont d)

August 31, 2011

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Senior Loans 0.5%				
Consumer Discretionary 0.5%				
Diversified Consumer Services 0.5%				
Realogy Corp., Term Loan (Cost $2,160,755)	13.500%	10/15/17	2,000,000	$ **2,020,000**(h)
Convertible Bonds & Notes 2.3%				
Consumer Discretionary 1.0%				
Diversified Consumer Services 1.0%				
Realogy Corp., Senior Subordinated Bonds	11.000%	4/15/18	5,000,000	**4,200,000**(a)
Energy 0.0%				
Oil, Gas & Consumable Fuels 0.0%				
James River Coal Co., Senior Notes	3.125%	3/15/18	110,000	**82,500**(a)
Industrials 0.5%				
Marine 0.5%				
Horizon Lines Inc., Senior Notes	4.250%	8/15/12	2,535,000	**1,799,850**(f)
Materials 0.8%				
Chemicals 0.8%				
Hercules Inc.	6.500%	6/30/29	4,000,000	**3,110,000**
Total Convertible Bonds & Notes (Cost $10,487,723)				**9,192,350**
Sovereign Bonds 3.6%				
Argentina 1.4%				
Republic of Argentina, Discount Notes	8.280%	12/31/33	3,438,096	2,836,429
Republic of Argentina, Senior Notes	8.750%	6/2/17	3,030,000	3,045,150
Total Argentina				***5,881,579***
Venezuela 2.2%				
Bolivarian Republic of Venezuela	5.750%	2/26/16	5,970,000	4,581,975(a)
Bolivarian Republic of Venezuela, Senior Bonds	9.250%	9/15/27	5,820,000	4,132,200
Total Venezuela				***8,714,175***
Total Sovereign Bonds (Cost $15,236,552)				**14,595,754**
			Shares	
Convertible Preferred Stocks 1.1%				
Financials 1.1%				
Diversified Financial Services 1.1%				
Citigroup Inc. (Cost $5,635,113)	7.500%		47,500	**4,493,975**
Preferred Stocks 1.7%				
Financials 1.6%				
Consumer Finance 1.6%				
GMAC Capital Trust I	8.125%		292,200	**6,238,470**(e)
Industrials 0.1%				

Road & Rail 0.1%			
Jack Cooper Holdings Corp.	20.000%	3,773	**358,435**(a)(e)
Total Preferred Stocks (Cost $7,669,315)			**6,596,905**

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Expiration Date	Warrants	Value
Warrants 0.0%			
Jack Cooper Holdings Corp.	12/15/17	1,686	$ 105,375*
Jack Cooper Holdings Corp.	5/6/18	846	52,875*
Total Warrants (Cost $46,253)			**158,250**
Total Investments before Short-Term Investments (Cost $414,588,829)			**389,777,698**

	Rate	Maturity Date	Face Amount	
Short-Term Investments 0.1%				
U.S. Government Agencies 0.1%				
Federal Home Loan Mortgage Corp. (FHLMC), Discount Notes (Cost $172,934)	0.100 - 0.105%	1/10/12	173,000	**172,987**(i)(j)
Total Investments 97.3% (Cost $414,761,763#)				**389,950,685**
Other Assets in Excess of Liabilities 2.7%				**10,937,642**
Total Net Assets 100.0%				**$400,888,327**

Face amount denominated in U.S. dollars, unless otherwise noted.

* Non-income producing security.

(a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

(b) Payment-in-kind security for which part of the income earned may be paid as additional principal.

(c) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).

(d) Security has no maturity date. The date shown represents the next call date.

(e) Variable rate security. Interest rate disclosed is as of the most recent information available.

(f) Illiquid security (unaudited).

(g) Subsequent to August 31, 2011, the issuer filed for bankruptcy.

(h) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.

(i) Rate shown represents yield-to-maturity.

(j) All or a portion of this security is held at the broker as collateral for open futures contracts.

\# Aggregate cost for federal income tax purposes is $415,551,658.

Abbreviations used in this schedule:

EUR	Euro
GBP	British Pound

See Notes to Financial Statements.

Statement of assets and liabilities

August 31, 2011

Assets:	
Investments, at value (Cost $414,761,763)	$389,950,685
Foreign currency, at value (Cost $747,342)	744,973
Cash	5,797,095
Interest receivable	9,803,916
Unrealized appreciation on forward foreign currency contracts	43,334
Receivable from broker variation margin on open futures contracts	19,125
Prepaid expenses	19,654
Total Assets	***406,378,782***
Liabilities:	
Distributions payable	2,676,722
Payable for securities purchased	1,880,000
Unrealized depreciation on forward foreign currency contracts	527,606
Investment management fee payable	276,217
Directors fees payable	730
Accrued expenses	129,180
Total Liabilities	***5,490,455***
Total Net Assets	**$400,888,327**
Net Assets:	
Par value ($0.001 par value, 22,360,851 shares issued and outstanding; 100,000,000 shares authorized)	$ 22,361
Paid-in capital in excess of par value	426,037,623
Overdistributed net investment income	(1,010,414)
Accumulated net realized gain on investments, futures contracts and foreign currency transactions	1,151,638
Net unrealized depreciation on investments, futures contracts and foreign currencies	(25,312,881)
Total Net Assets	**$400,888,327**
Shares Outstanding	22,360,851
Net Asset Value	$17.93

See Notes to Financial Statements.

Statement of operations

For the Period Ended August 31, 2011

Investment Income:	
Interest	$ 32,392,317
Dividends	361,050
Less: Foreign taxes withheld	(2,927)
Total Investment Income	***32,750,440***
Expenses:	
Investment management fee (Note 2)	2,906,151
Directors fees	68,138
Excise tax (Note 1)	67,726
Organization expenses	65,000
Audit and tax	63,000
Legal fees	61,844
Shareholder reports	44,135
Fund accounting fees	29,064
Transfer agent fees	25,889
Stock exchange listing fees	16,032
Custody fees	10,401
Miscellaneous expenses	6,470
Total Expenses	***3,363,850***
Less: Expense reimbursements (Note 2)	(65,000)
Net Expenses	***3,298,850***
Net Investment Income	**29,451,590**
Realized and Unrealized Gain (Loss) on Investments, Futures Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	2,903,556
Futures contracts	(777,692)
Foreign currency transactions	(2,063,121)
Net Realized Gain	***62,743***
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(24,811,078)
Futures contracts	(17,226)
Foreign currencies	(484,577)
Change in Net Unrealized Appreciation (Depreciation)	***(25,312,881)***
Net Loss on Investments, Futures Contracts and Foreign Currency Transactions	**(25,250,138)**
Increase in Net Assets from Operations	**$ 4,201,452**

For the period October 27, 2010 (commencement of operations) through August 31, 2011.

See Notes to Financial Statements.

Statement of changes in net assets

For the Period Ended August 31, 2011	**2011**
Operations:	
Net investment income	$ 29,451,590
Net realized gain	62,743
Change in net unrealized appreciation (depreciation)	(25,312,881)
Increase in Net Assets From Operations	***4,201,452***
Distributions to Shareholders From (Note 1):	
Net investment income	(29,440,835)
Decrease in Net Assets From Distributions to Shareholders	***(29,440,835)***
Fund Share Transactions:	
Net proceeds from sale of shares (22,189,177 shares issued)	422,925,916
Reinvestment of distributions (171,674 shares issued)	3,201,794
Increase in Net Assets From Fund Share Transactions	***426,127,710***
Increase in Net Assets	***400,888,327***
Net Assets:	
Beginning of period	
End of period*	**$ 400,888,327**
* Includes overdistributed net investment income of:	$(1,010,414)

For the period October 27, 2010 (commencement of operations) through August 31, 2011.

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout the period ended August 31:

	2011[1,2]
Net asset value, beginning of period	$19.06[3]
Income (loss) from operations:	
Net investment income	1.33
Net realized and unrealized loss	(1.14)
Total income from operations	***0.19***
Less distributions from:	
Net investment income	(1.32)
Total distributions	***(1.32)***
Net asset value, end of period	$17.93
Market price, end of period	$18.43
Total return, based on NAV[4,5]	***0.90%***
Total return, based on Market Price[5]	***(1.16)%***
Net assets, end of period (millions)	$401
Ratios to average net assets:	
Gross expenses[6]	0.93%
Net expenses[6,7]	0.91
Net investment income[6]	8.11
Portfolio turnover rate	56%

1 For the period October 27, 2010 (commencement of operations) through August 31, 2011.
2 Per share amounts have been calculated using the average shares method.
3 Initial public offering price of $20.00 per share less offering costs and sales load totaling $0.94 per share.
4 Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results. Total returns for periods less than one year are not annualized.
5 The total return calculation assumes that distributions are reinvested in accordance with the Fund s dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods less than one year are not annualized.
6 Annualized.
7 The investment manager has agreed to reimburse all organization expenses (Note 2).

See Notes to Financial Statements.

Notes to financial statements

1. Organization and significant accounting policies

Western Asset High Yield Defined Opportunity Fund Inc. (the Fund) was incorporated in Maryland on July 20, 2010 and is registered as a non-diversified, limited-term, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s primary investment objective is to provide high income. As a secondary investment objective, the Fund will seek capital appreciation. The Fund seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its net assets in a portfolio of high-yield corporate fixed income securities with varying maturities. The Fund intends to terminate on or about September 30, 2025 and distribute substantially all of its net assets to stockholders, after making appropriate provisions for any liabilities of the Fund.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

(a) Investment valuation. The valuations for fixed income securities and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of fair valuation techniques and methodologies. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment s fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern time). When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund s Board of Directors.

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (ASC Topic 820). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund s investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

The following is a summary of the inputs used in valuing the Fund s assets and liabilities carried at fair value:

ASSETS

Description	**Quoted Prices (Level 1)**	**Other Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Long-term investments :				
Corporate bonds & notes		$350,840,464	$1,880,000	$352,720,464
Collateralized senior loans		2,020,000		2,020,000
Convertible bond & notes		9,192,350		9,192,350
Sovereign bonds		14,595,754		14,595,754
Convertible preferred stocks	$ 4,493,975			4,493,975
Preferred stocks:				
Financials	6,238,470			6,238,470
Industrials		358,435		358,435
Warrants		158,250		158,250
Total long-term investments	**$10,732,445**	**$377,165,253**	**$1,880,000**	**$389,777,698**
Short-term investments		**172,987**		**172,987**
Total investments	**$10,732,445**	**$377,338,240**	**$1,880,000**	**$389,950,685**
Other financial instruments:				
Forward foreign currency contracts		$ 43,334		$ 43,334

Total	**$10,732,445**	**$377,381,574**	**$1,880,000**	**$389,994,019**

Notes to financial statements (cont d)

LIABILITIES

Description	**Quoted Prices (Level 1)**	**Other Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Other financial instruments:				
Futures contracts	$17,226			$ 17,226
Forward foreign currency contracts		$527,606		527,606
Total	**$17,226**	**$527,606**		**$544,832**

See Schedule of Investments for additional detailed categorizations.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Investments In Securities	**Corporate Bond & Notes**
Balance as of October 27, 2010	
Accrued premiums/discounts	
Realized gain (loss)	
Change in unrealized appreciation (depreciation)	
Net purchases (sales)	$1,880,000
Transfers into Level 3	
Transfers out of Level 3	
Balance as of August 31, 2011	**$1,880,000**
Net change in unrealized appreciation (depreciation) for investments in securities still held at August 31, 2011	

(b) Repurchase agreements. The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund s holding period. When entering into repurchase agreements, it is the Fund s policy that its custodian or a third party custodian, acting on the Fund s behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(d) Forward foreign currency contracts. The Fund enters into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected on the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(e) Foreign currency translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar

Notes to financial statements (cont d)

amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund s books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(f) Loan participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund s investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement related to the loan, or any rights of off-set against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any off-set between the lender and the borrower.

(g) Credit and market risk. The Fund invests in high-yield and emerging market instruments that are subject to certain credit and market risks. The yields of high-yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund s investment in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund s investment in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

(h) Counterparty risk and credit-risk-related contingent features of derivative instruments. The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund s investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund s net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

As of August 31, 2011, the Fund held forward foreign currency contracts with credit related contingent features which had a liability position of $527,606. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties.

(i) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practicable after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a

Notes to financial statements (cont d)

credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

(j) Distributions to shareholders. Distributions from net investment income of the Fund, if any, are declared quarterly and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Distributions to shareholders of the Fund are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(k) Compensating balance arrangements. The Fund has an arrangement with its custodian bank whereby a portion of the custodian s fees is paid indirectly by credits earned on the Fund s cash on deposit with the bank.

(l) Federal and other taxes. It is the Fund s policy to comply with the federal income tax requirements of the Internal Revenue Code of 1986 (the Code), as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute its taxable income and realized gains, if any, to shareholders in accordance with the requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Fund s financial statements.

However, due to the timing of when distributions are made by the Fund, the Fund may be subject to an excise tax of 4% of the amount by which 98% of the Fund s annual taxable income and net realized gains exceed the distributions from such taxable income and realized gains for the calendar year. The Fund paid $67,726 of Federal excise tax attributable to calendar year 2010 and estimates it will pay approximately $130,000 of Federal excise tax attributable to calendar year 2011. Under the recently enacted Regulated Investment Company Modernization Act of 2010, the minimum distribution requirement for capital gains that must be met in order to avoid the imposition of excise tax has been raised from 98% to 98.2% for calendar years beginning after December 22, 2010.

Management has analyzed the Fund s uncertain tax positions and has concluded that as of August 31, 2011, no provision for income tax is required in the Fund s financial statements. The Fund s federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by Internal Revenue Service and state departments of revenue.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

(m) Reclassification. GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. During the current period, the following reclassifications have been made:

	Overdistributed Net Investment Income	Accumulated Realized Gain	Paid-in Capital
(a)	$ 67,726		$(67,726)
(b)	(1,088,895)	$1,088,895	

(a) Reclassifications are primarily due to a non-deductible excise tax paid by the Fund.

(b) Reclassifications are primarily due to foreign currency transactions treated as ordinary income for tax purposes and differences between book and tax amortization of premium on fixed-income securities.

2. Investment management agreement and other transactions with affiliates

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund s investment manager. Western Asset Management Company (Western Asset), Western Asset Management Company Pte. Ltd. (Western Singapore), Western Asset Management Company Ltd (Western Japan) and Western Asset Management Company Limited (Western Asset Limited) are the Fund s subadvisers. LMPFA, Western Asset, Western Singapore, Western Japan and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc. (Legg Mason).

LMPFA provides administrative and certain oversight services to the Fund. The Fund pays LMPFA an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of the Fund s average daily net assets.

LMPFA delegates to Western Asset the day-to-day portfolio management of the Fund. Western Singapore, Western Japan and Western Asset Limited provide certain advisory services to the Fund relating to currency transactions and investments in non-U.S. dollar denominated debt securities. For its services, LMPFA pays Western Asset 70% of the net management fee it receives from the Fund. In turn, Western Asset pays each of Western Singapore, Western Japan and Western Asset Limited a fee for its services at no additional expense to the Fund. Each of Western Singapore, Western Japan and Western Asset Limited receives a fee from Western Asset, payable monthly, in an amount equal to an annual rate of 0.56% of the Fund s average daily net assets related to the Fund s assets that Western Asset allocates to Western Singapore, Western Japan and Western Asset Limited, respectively, to manage.

LMPFA has agreed to pay (i) all the Fund s organizational costs and (ii) the Fund s offering costs, other than sales load, in excess of $0.04 per common share.

During the period ended August 31, 2011, LMPFA reimbursed organization expenses amounting to $65,000.

Notes to financial statements (cont d)

All officers and one Director of the Fund are employees of Legg Mason or its affiliates and do not receive compensation from the Fund.

3. Investments

During the period ended August 31, 2011, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) were as follows:

Purchases	$627,024,417
Sales	216,596,295

At August 31, 2011, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	$ 4,442,724
Gross unrealized depreciation	(30,043,697)
Net unrealized depreciation	**$(25,600,973)**

At August 31, 2011, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Loss
Contracts to Sell:					
U.S. Treasury 5-Year Notes	144	12/11	$17,629,524	$17,646,750	$(17,226)

At August 31, 2011, the Fund had the following open forward foreign currency contracts:

Foreign Currency	Counterparty	Local Currency	Market Value	Settlement Date	Unrealized Gain (Loss)
Contracts to Sell:					
British Pound	Citibank, N.A.	3,015,803	$ 4,891,435	11/16/11	$ 29,754

British Pound	Credit Suisse	1,249,820	2,027,126	11/16/11	13,580
British Pound	UBS AG	1,000,000	1,621,934	11/16/11	(8,674)
Euro	Citibank, N.A.	8,610,000	12,357,258	11/16/11	(95,972)
Euro	Credit Suisse	10,023,025	14,385,261	11/16/11	(96,437)
Euro	JPMorgan Chase & Co.	5,861,272	8,412,223	11/16/11	(4,815)
Euro	UBS AG	13,694,636	19,654,837	11/16/11	(321,708)
Net unrealized loss on open forward foreign currency contracts					**$(484,272)**

4. Derivative Instruments and Hedging Activities

Financial Accounting Standards Board Codification Topic 815 requires enhanced disclosure about an entity s derivative and hedging activities.

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at August 31, 2011.

ASSET DERIVATIVES1

	Interest Rate Contracts Risk	Foreign Exchange Contracts Risk	Total
Forward foreign currency contracts		$43,334	$43,334

LIABILITY DERIVATIVES1

	Interest Rate Contracts Risk	Foreign Exchange Contracts Risk	Total
Futures contracts(2)	$17,226		$ 17,226
Forward foreign currency contracts		$527,606	527,606
Total	**$17,226**	**$527,606**	**$544,832**

1 Generally, the balance sheet location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

2 Includes cumulative appreciation (depreciation) of futures contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables of the Statement of Assets and Liabilities.

The following tables provide information about the effect of derivatives and hedging activities on the Fund s Statement of Operations for the period ended August 31, 2011. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund s derivatives and hedging activities during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

	Interest Rate Contracts Risk	Foreign Exchange Contracts Risk	Total
Futures contracts	$(777,692)		$ (777,692)
		$(2,118,594)	(2,118,594)

Forward foreign currency contracts			
Total	**$(777,692)**	**$(2,118,594)**	**$(2,896,286)**

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED

	Interest Rate Contracts Risk	**Foreign Exchange Contracts Risk**	**Total**
Futures contracts	$(17,226)		$ (17,226)
Forward foreign currency contracts		$(484,272)	(484,272)
Total	**$(17,226)**	**$(484,272)**	**$(501,498)**

Notes to financial statements (cont d)

During the period ended August 31, 2011, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Futures contracts (to sell)	$ 6,314,114
Forward foreign currency contracts (to buy)	1,173,564
Forward foreign currency contracts (to sell)	48,070,468

At August 31, 2011, there were no open positions held in this derivative.

5. Distributions subsequent to August 31, 2011

On August 11, 2011, the Fund s Board of Directors declared three distributions, each in the amount of $0.1470 per share, payable on September 30, 2011, October 28, 2011 and November 25, 2011 to shareholders of record on September 23, 2011, October 21, 2011 and November 18, 2011, respectively.

6. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal period ended August 31, 2011 was as follows:

Distributions Paid From:	
Ordinary income	$29,440,835

As of August 31, 2011, the components of accumulated earnings on a tax basis were as follows:

Undistributed ordinary income net	$ 517,512
Other book/tax temporary differences(a)	413,607
Unrealized appreciation (depreciation)(b)	(26,102,776)
Total accumulated earnings (losses) net	**$(25,171,657)**

(a) Other book/tax temporary differences are attributable primarily to the realization for tax purposes of unrealized losses on certain futures and foreign currency contracts and book/tax differences in the timing of the deductibility of various expenses.

(b) The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales and the difference between book and tax amortization methods for premiums on fixed-income securities.

7. Other tax information

On December 22, 2010, President Obama signed into law the Regulated Investment Company Modernization Act of 2010 (the Act). The Act updates certain tax rules applicable to regulated investment companies (RICs). The various provisions of the Act will generally be effective for RICs with taxable years beginning after December 22, 2010. Additional information regarding the impact of the Act on the Fund, if any, will be contained within the relevant sections of the notes to the financial statements for the fiscal year ended August 31, 2012.

Report of independent registered public accounting firm

The Board of Directors and Shareholders
Western Asset High Yield Defined Opportunity Fund Inc.:

We have audited the accompanying statement of assets and liabilities of Western Asset High Yield Defined Opportunity Fund Inc., including the schedule of investments, as of August 31, 2011, and the related statements of operations, changes in net assets, and the financial highlights for the period from October 27, 2010 (commencement of operations) to August 31, 2011. These financial statements and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2011, by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Western Asset High Yield Defined Opportunity Fund Inc. as of August 31, 2011, the results of its operations, the changes in its net assets, and the financial highlights for the period from October 27, 2010 (commencement of operations) to August 31, 2011, in conformity with U.S. generally accepted accounting principles.

New York, New York
October 17, 2011

Additional information (unaudited)

Information about Directors and Officers

The business and affairs of Western Asset High Yield Defined Opportunity Fund Inc. (the Fund) are conducted by management under the supervision and subject to the direction of its Board of Directors. The business address of each Director is c/o R. Jay Gerken, 620 Eighth Avenue, New York, New York 10018. Information pertaining to the Directors and officers of the Fund is set forth below.

Independent Directors :

Carol L. Colman	
Year of birth	1946
Position(s) held with Fund[1]	Director and Member of the Nominating and Audit Committees, Class I
Term of office[1] and length of time served	Since 2010
Principal occupation(s) during past five years	President, Colman Consulting Company (consulting)
Number of portfolios in fund complex overseen by Director (including the Fund)	25
Other board memberships held by Director	None
Daniel P. Cronin	
Year of birth	1946
Position(s) held with Fund[1]	Director and Member of the Nominating and Audit Committees, Class I
Term of office[1] and length of time served	Since 2010
Principal occupation(s) during past five years	Retired; formerly, Associate General Counsel, Pfizer Inc. (prior to and including 2004)
Number of portfolios in fund complex overseen by Director (including the Fund)	25
Other board memberships held by Director	None
Paolo M. Cucchi	
Year of birth	1941
Position(s) held with Fund[1]	Director and Member of the Nominating and Audit Committees, Class I
Term of office[1] and length of time served	Since 2010
Principal occupation(s) during past five years	Professor of French and Italian at Drew University; formerly, Vice President and Dean of College of Liberal Arts at Drew University (1984 to 2009)
Number of portfolios in fund complex overseen by Director (including the Fund)	25
Other board memberships held by Director	None

Independent Directors cont d

Leslie H. Gelb	
Year of birth	1937
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class II
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	President Emeritus and Senior Board Fellow (since 2003), The Council on Foreign Relations; formerly, President, (prior to 2003), the Council on Foreign Relations; formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, The New York Times
Number of portfolios in fund complex overseen by Director (including the Fund)	25
Other board memberships held by Director	Director of two registered investment companies advised by Blackstone Asia Advisors LLC: India Fund, Inc. and Asia Tigers Fund, Inc. (since 1994)
William R. Hutchinson	
Year of birth	1942
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class II
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	President, W.R. Hutchinson & Associates Inc. (Consulting) (since 2001)
Number of portfolios in fund complex overseen by Director (including the Fund)	25
Other board memberships held by Director	Director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc Corp. (banking) (since 1994)
Riordan Roett	
Year of birth	1938
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class III
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	The Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies, Paul H. Nitze School of Advanced International Studies, The John Hopkins University (since 1973)
Number of portfolios in fund complex overseen by Director (including the Fund)	25
Other board memberships held by Director	None

Additional information (unaudited) (cont d)

Information about Directors and Officers

Independent Directors cont d

Jeswald W. Salacuse	
Year of birth	1938
Position(s) held with Fund[1]	Director and Member of the Nominating and Audit Committees, Class III
Term of office[1] and length of time served	Since 2010
Principal occupation(s) during past five years	Henry J. Braker Professor of Commercial Law, The Fletcher School of Law and Diplomacy, Tufts University (since 1986); President and Member, Arbitration Tribunal, World Bank/ICSID (since 2004)
Number of portfolios in fund complex overseen by Director (including the Fund)	25
Other board memberships held by Director	Director of two registered investment companies advised by Blackstone Asia Advisors LLC; India Fund, Inc. and Asia Tigers Fund, Inc. (since 1993)
Interested Director and Officer:	
R. Jay Gerken[2]	
Year of birth	1951
Position(s) held with Fund[1]	Director, Chairman, President and Chief Executive Officer, Class II
Term of office[1] and length of time served	Since 2010
Principal occupation(s) during past five years	Managing Director of Legg Mason & Co., LLC (Legg Mason & Co.) (since 2005); Officer and Trustee/Director of 159 funds associated with Legg Mason Partners Fund Advisor, LLC (LMPFA) or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); President and Chief Executive Officer (CEO) of LMPFA (since 2006); President and CEO of Smith Barney Fund Management LLC (SBFM) and Citi Fund Management Inc. (CFM) (formerly registered investment advisers) (since 2002); formerly, Chairman, President and CEO, Travelers Investment Adviser Inc. (prior to 2005)
Number of portfolios in fund complex overseen by Director (including the Fund)	159
Other board memberships held by Director	Former Trustee, Consulting Group Capital Markets Funds (11 funds) (prior to 2006)

Additional Officers:

Ted P. Becker	
Legg Mason	
620 Eighth Avenue, New York, NY 10018	
Year of birth	1951
Position(s) held with Fund1	Chief Compliance Officer
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	Director of Global Compliance at Legg Mason (since 2006); Chief Compliance Officer of LMPFA (since 2006); Managing Director of Compliance of Legg Mason & Co. (since 2005); Chief Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006)
Vanessa A. Williams	
Legg Mason	
100 First Stamford Place, Stamford, CT 06902	
Year of birth	1979
Position(s) with Fund1	Identity Theft Prevention Officer
Term of office1 and length of time served	Since 2011
Principal occupation(s) during past five years	Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Chief Anti-Money Laundering Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); formerly, Assistant Vice President and Senior Compliance Officer of Legg Mason & Co. (2008 to 2011); formerly, Compliance Analyst of Legg Mason & Co. (2006 to 2008) and Legg Mason & Co. predecessor (prior to 2006)
Robert I. Frenkel	
Legg Mason	
100 First Stamford Place, Stamford, CT 06902	
Year of birth	1954
Position(s) held with Fund1	Secretary and Chief Legal Officer
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	Vice President and Deputy General Counsel of Legg Mason (since 2006); Managing Director and General Counsel of Global Mutual Funds for Legg Mason & Co. (since 2006) and Legg Mason & Co. predecessors (since 1994); Secretary and Chief Legal Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006)

Additional information (unaudited) (cont d)

Information about Directors and Officers

Additional Officers cont d

Thomas C. Mandia **Legg Mason** **100 First Stamford Place, Stamford, CT 06902**	
Year of birth	1962
Position(s) held with Fund1	Assistant Secretary
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	Managing Director and Deputy General Counsel of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); Secretary of LMPFA (since 2006); Assistant Secretary of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); Secretary of SBFM and CFM (since 2002)
Kaprel Ozsolak **Legg Mason** **55 Water Street, New York, NY 10041**	
Year of birth	1965
Position(s) held with Fund1	Chief Financial Officer
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	Director of Legg Mason & Co. (since 2005); Chief Financial Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2007) and Legg Mason & Co. predecessors (prior to 2007); formerly, Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010) and Legg Mason & Co. predecessors (prior to 2005); formerly, Controller of certain mutual funds associated with Legg Mason & Co. predecessors (prior to 2004)
Steven Frank **Legg Mason** **55 Water Street, New York, NY 10041**	
Year of birth	1967
Position(s) held with Fund1	Treasurer
Term of office1 and length of time served	Since 2010
Principal occupation(s) during past five years	Vice President of Legg Mason & Co. and Legg Mason & Co. predecessors (since 2002); Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2010); formerly, Controller of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010); formerly, Assistant Controller of certain mutual funds associated with Legg Mason & Co. predecessors (prior to 2005)

Additional Officers cont d

Jeanne M. Kelly	
Legg Mason	
620 Eighth Avenue, New York, NY 10018	
Year of birth	1951
Position(s) with Fund[1]	Senior Vice President
Term of office[1] and length of time served	Since 2010
Principal occupation(s) during past five years	Senior Vice President of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2007); Senior Vice President of LMPFA (since 2006); Managing Director of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005)

Directors who are not interested persons of the Fund within the meaning of Section 2(a)(19) of the 1940 Act.

1 The Fund s Board of Directors is divided into three classes: Class I, Class II and Class III. At the first annual meeting, directors of Class I shall be elected to the Board of Directors for a term expiring at the next succeeding annual meeting of stockholders, directors of Class II shall be elected to the Board of Directors for a term expiring at the second succeeding annual meeting of stockholders and directors of Class III shall be elected to the Board of Directors for a term expiring at the third succeeding annual meeting of stockholders. At each subsequent annual meeting of stockholders, the directors chosen to succeed those whose terms are expiring shall be identified as being of the same class as the directors whom they succeed and shall be elected for a term expiring at the time of the third succeeding annual meeting of stockholders subsequent to their election, or thereafter in each case when their respective successors are elected and qualified. The Fund s executive officers are chosen each year at the first meeting of the Fund s Board of Directors following the Annual Meeting of Stockholders, to hold office until the meeting of the Board following the next Annual Meeting of Stockholders and until their successors are duly elected and qualified.

2 Mr. Gerken is an interested person of the Fund as defined in the 1940 Act because Mr. Gerken is an officer of LMPFA and certain of its affiliates.

Annual chief executive officer and chief financial officer certifications (unaudited)

The Fund s Chief Executive Officer (CEO) has submitted to the NYSE the required annual certification and the Fund also has included the Certifications of the Fund s CEO and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act in the Fund s Form N-CSR filed with the SEC for the period of this report.

Other shareholder communications regarding accounting matters

The Fund s Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, Accounting Matters). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Chief Compliance Officer (CCO). Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to the Fund s Audit Committee Chair (together with the CCO, Complaint Officers). Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:
Legg Mason & Co., LLC
Compliance Department
620 Eighth Avenue, 49th Floor
New York, New York 10018

Complaints may also be submitted by telephone at 1-800-742-5274. Complaints submitted through this number will be received by the CCO.

Dividend reinvestment plan (unaudited)

Unless you elect to receive distributions in cash (i.e., opt-out), all dividends, including any capital gain dividends, on your Common Stock will be automatically reinvested by American Stock Transfer & Trust Company LLC, as agent for the stockholders (the Plan Agent), in additional shares of Common Stock under the Fund s Dividend Reinvestment Plan (the Plan). You may elect not to participate in the Plan by contacting the Plan Agent. If you do not participate, you will receive all cash distributions paid by check mailed directly to you by American Stock Transfer & Trust Company LLC, as dividend paying agent.

If you participate in the Plan, the number of shares of Common Stock you will receive will be determined as follows:

(1) If the market price of the Common Stock on the record date (or, if the record date is not a NYSE trading day, the immediately preceding trading day) for determining stockholders eligible to receive the relevant dividend or distribution (the determination date) is equal to or exceeds 98% of the net asset value per share of the Common Stock, the Fund will issue new Common Stock at a price equal to the greater of (a) 98% of the net asset value per share at the close of trading on the NYSE on the determination date or (b) 95% of the market price per share of the Common Stock on the determination date.

(2) If 98% of the net asset value per share of the Common Stock exceeds the market price of the Common Stock on the determination date, the Plan Agent will receive the dividend or distribution in cash and will buy Common Stock in the open market, on the NYSE or elsewhere, for your account as soon as practicable commencing on the trading day following the determination date and terminating no later than the earlier of (a) 30 days after the dividend or distribution payment date, or (b) the record date for the next succeeding dividend or distribution to be made to the stockholders; except when necessary to comply with applicable provisions of the federal securities laws. If during this period: (i) the market price rises so that it equals or exceeds 98% of the net asset value per share of the Common Stock at the close of trading on the NYSE on the determination date before the Plan Agent has completed the open market purchases or (ii) if the Plan Agent is unable to invest the full amount eligible to be reinvested in open market purchases, the Plan Agent will cease purchasing Common Stock in the open market and the Fund shall issue the remaining Common Stock at a price per share equal to the greater of (a) 98% of the net asset value per share at the close of trading on the Exchange on the determination date or (b) 95% of the then current market price per share.

Common Stock in your account will be held by the Plan Agent in non-certificated form. Any proxy you receive will include all shares of Common Stock you have received under the Plan.

You may withdraw from the Plan (i.e., opt-out) by notifying the Plan Agent in writing at P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by calling the Plan Agent at 1-888-888-0151. Such withdrawal will be effective immediately if notice is received by the Plan Agent not less than ten business days prior to any dividend or distribution record date; otherwise such withdrawal will be effective as soon as practicable after the Plan Agent s investment of the most recently declared dividend or distribution on the Common Stock. The Plan may be amended or supplemented by the Fund upon notice in writing mailed to stockholders at least 30 days prior to the record date for the payment of any dividend or distribution by the Fund for which the termination is to be effective.

Upon any termination, you will be sent a certificate or certificates for the full number of shares of Common Stock held for you under the Plan and cash for any fractional share of Common Stock. You may elect to notify the Plan Agent in advance of such termination to have the Plan Agent sell part or all of your Common Stock on your behalf. You will be charged a service charge and the Plan Agent is authorized to deduct brokerage charges actually incurred for this transaction from the proceeds.

There is no service charge for reinvestment of your dividends or distributions in Common Stock. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. Because all dividends and distributions will be automatically reinvested in additional shares of Common Stock, this allows you to add to your investment through dollar cost averaging, which may lower the average cost of your Common Stock over time. Dollar cost averaging is a technique for lowering the average cost per share over time if the Fund s net asset value declines. While dollar cost averaging has definite advantages, it cannot assure profit or protect against loss in declining markets.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. Investors will be subject to income tax on amounts reinvested under the Plan.

The Fund reserves the right to amend or terminate the Plan if, in the judgment of the Board of Directors, the change is warranted. 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 and your account may be obtained from the Plan Agent at 6201 15th Avenue, Brooklyn, New York 11219 or by calling the Plan Agent at 1-888-888-0151.

Western Asset

High Yield Defined Opportunity Fund Inc.

Directors
Carol L. Colman
Daniel P. Cronin
Paolo M. Cucchi
Leslie H. Gelb
R. Jay Gerken
Chairman
William R. Hutchinson
Riordan Roett
Jeswald W. Salacuse

Officers
R. Jay Gerken
President and Chief Executive Officer
Kaprel Ozsolak
Chief Financial Officer
Ted P. Becker
Chief Compliance Officer
Vanessa A. Williams
Identity Theft Protection Officer
Robert I. Frenkel
Secretary and Chief Legal Officer
Thomas C. Mandia
Assistant Secretary
Steven Frank
Treasurer
Jeanne M. Kelly
Senior Vice President

Western Asset High Yield Defined Opportunity Fund Inc.
620 Eighth Avenue
49th Floor
New York, NY 10018

Investment manager
Legg Mason Partners Fund Advisor, LLC

Subadvisers
Western Asset Management Company
Western Asset Management Company Limited
Western Asset Management Company Ltd
Western Asset Management Company Pte. Ltd.

Custodian
State Street Bank and
Trust Company
1 Lincoln Street
Boston, MA 02111

Transfer agent
American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

Independent registered public accounting firm
KPMG LLP
345 Park Avenue
New York, NY 10154

Legal counsel
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017

New York Stock Exchange Symbol
HYI

Legg Mason Funds Privacy and Security Notice

Your Privacy and the Security of Your Personal Information is Very Important to the Legg Mason Funds

This Privacy and Security Notice (the Privacy Notice) addresses the Legg Mason Funds privacy and data protection practices with respect to nonpublic personal information the Funds receive. The Legg Mason Funds include any funds sold by the Funds distributor, Legg Mason Investor Services, LLC, as well as Legg Mason-sponsored closed-end funds. The provisions of this Privacy Notice apply to your information both while you are a shareholder and after you are no longer invested with the Funds.

The Type of Nonpublic Personal Information the Funds Collect About You

The Funds collect and maintain nonpublic personal information about you in connection with your shareholder account. Such information may include, but is not limited to:

- Personal information included on applications or other forms;
- Account balances, transactions, and mutual fund holdings and positions;
- Online account access user IDs, passwords, security challenge question responses; and
- Information received from consumer reporting agencies regarding credit history and creditworthiness (such as the amount of an individual s total debt, payment history, etc.).

How the Funds Use Nonpublic Personal Information About You

The Funds do not sell or share your nonpublic personal information with third parties or with affiliates for their marketing purposes, or with other financial institutions or affiliates for joint marketing purposes, unless you have authorized the Funds to do so. The Funds do not disclose any nonpublic personal information about you except as may be required to perform transactions or services you have authorized or as permitted or required by law. The Funds may disclose information about you to:

- Employees, agents, and affiliates on a need to know basis to enable the Funds to conduct ordinary business or comply with obligations to government regulators;
- Service providers, including the Funds affiliates, who assist the Funds as part of the ordinary course of business (such as printing, mailing services, or processing or servicing your account with us) or otherwise perform services on the Funds behalf, including companies that may perform marketing services solely for the Funds;
- The Funds representatives such as legal counsel, accountants and auditors; and

- Fiduciaries or representatives acting on your behalf, such as an IRA custodian or trustee of a grantor trust.

NOT PART OF THE ANNUAL REPORT

Legg Mason Funds Privacy and Security Notice (cont d)

Except as otherwise permitted by applicable law, companies acting on the Funds behalf are contractually obligated to keep nonpublic personal information the Funds provide to them confidential and to use the information the Funds share only to provide the services the Funds ask them to perform.

The Funds may disclose nonpublic personal information about you when necessary to enforce their rights or protect against fraud, or as permitted or required by applicable law, such as in connection with a law enforcement or regulatory request, subpoena, or similar legal process. In the event of a corporate action or in the event a Fund service provider changes, the Funds may be required to disclose your nonpublic personal information to third parties. While it is the Funds practice to obtain protections for disclosed information in these types of transactions, the Funds cannot guarantee their privacy policy will remain unchanged.

Keeping You Informed of the Funds Privacy and Security Practices

The Funds will notify you annually of their privacy policy as required by federal law. While the Funds reserve the right to modify this policy at any time they will notify you promptly if this privacy policy changes.

The Funds Security Practices

The Funds maintain appropriate physical, electronic and procedural safeguards designed to guard your nonpublic personal information. The Funds internal data security policies restrict access to your nonpublic personal information to authorized employees, who may use your nonpublic personal information for Fund business purposes only.

Although the Funds strive to protect your nonpublic personal information, they cannot ensure or warrant the security of any information you provide or transmit to them, and you do so at your own risk. In the event of a breach of the confidentiality or security of your nonpublic personal information, the Funds will attempt to notify you as necessary so you can take appropriate protective steps. If you have consented to the Funds using electronic communications or electronic delivery of statements, they may notify you under such circumstances using the most current email address you have on record with them.

In order for the Funds to provide effective service to you, keeping your account information accurate is very important. If you believe that your account information is incomplete, not accurate or not current, or if you have questions about the Funds privacy practices, write the Funds using the contact information on your account statements, email the Funds by clicking on the Contact Us section of the Funds website at www.leggmason.com, or contact the Fund at 1-888-777-0102.

Revised April 2011

NOT PART OF THE ANNUAL REPORT

Western Asset High Yield Defined Opportunity Fund Inc.

Western Asset High Yield Defined Opportunity Fund Inc.
620 Eighth Avenue
49th Floor
New York, NY 10018

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase at market prices, shares of its Common Stock in the open market.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The Fund s Forms N-Q are available on the SEC s website at www.sec.gov. The Fund s Forms N-Q may be reviewed and copied at the SEC s Public Reference Room in Washington D.C., and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. To obtain information on Form N-Q from the Fund, shareholders can call 1-888-777-0102.

Information on how the Fund voted proxies relating to portfolio securities during the prior 12-month period ended June 30th of each year and a description of the policies and procedures that the Fund uses to determine how to vote proxies related to portfolio transactions are available (1) without charge, upon request, by calling 1-888-777-0102, (2) on the Fund s website at www.leggmason.com/cef and (3) on the SEC s website at www.sec.gov.

This report is transmitted to the shareholders of Western Asset High Yield Defined Opportunity Fund Inc. for their information. This is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or any securities mentioned in this report.

American Stock
Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

WASX013977 10/11 SR11-1497

ITEM 2. CODE OF ETHICS.

The registrant has adopted a code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Trustees of the registrant has determined that William R. Hutchinson, a member of the Board s Audit Committee, possesses the technical attributes identified in Instruction 2(b) of Item 3 to Form N-CSR to qualify as an audit committee financial expert, and has designated Mr. Hutchinson as the Audit Committee s financial expert. Mr. Hutchinson is an independent Trustee pursuant to paragraph (a)(2) of Item 3 to Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

a) Audit Fees. The aggregate fees billed in the last fiscal year ending August 31, 2011 (the Reporting Periods) for professional services rendered by the Registrant s principal accountant (the Auditor) for the audit of the Registrant s annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Period, was $0 in 2011.

b) Audit-Related Fees. The aggregate fees billed in the Reporting Period for assurance and related services by the Auditor that are reasonably related to the performance of the Registrant s financial statements were $0 in 2011.

In addition, there were no Audit-Related Fees billed in the Reporting Period for assurance and related services by the Auditor to the Registrant s investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the Western Asset High Yield Defined Opportunity Fund Inc. (service affiliates), that were reasonably related to the performance of the annual audit of the service affiliates. Accordingly, there were no such fees that required pre-approval by the Audit Committee for the Reporting Period.

(c) Tax Fees. The aggregate fees billed in the Reporting Period for professional services rendered by the Auditor for tax compliance, tax advice and tax planning (Tax Services) were $0 in 2011. These services consisted of (i)review or preparation of U.S. federal, state, local and excise tax returns; (ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments, and (iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held.

There were no fees billed for tax services by the Auditors to service affiliates during the Reporting Period that required pre-approval by the Audit Committee.

d) All Other Fees. There were no other fees billed in the Reporting Period for products and services provided by the Auditor, other than the services reported in paragraphs (a) through (c) for the Item 4 for the Western Asset High Yield Defined Opportunity Fund Inc.

All Other Fees. There were no other non-audit services rendered by the Auditor to Legg Mason Partners Fund Advisors, LLC (LMPFA), and any entity controlling, controlled by or under common control with LMPFA that provided ongoing services to Western Asset High Yield Defined Opportunity Fund Inc. requiring pre-approval by the Audit Committee in the Reporting Period.

(e) Audit Committee s pre approval policies and procedures described in paragraph(c) (7) of Rule 2-01 of Regulation S-X.

(1) The Charter for the Audit Committee (the Committee) of the Board of each registered investment company (the Fund) advised by LMPFA or one of their affiliates (each, an Adviser) requires that the Committee shall approve (a) all audit and permissible non-audit services to be provided to the Fund and (b) all permissible non-audit services to be provided by the Fund s independent auditors to the Adviser and any Covered Service Providers if the engagement relates directly to the operations and financial reporting of the Fund. The Committee may implement policies and procedures by which such services are approved other than by the full Committee.

The Committee shall not approve non-audit services that the Committee believes may impair the independence of the auditors. As of the date of the approval of this Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent auditors, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Adviser and any service providers controlling, controlled by or under common control with the Adviser that provide ongoing services to the Fund (Covered Service Providers) constitutes not more than 5% of the total amount of revenues paid to the independent auditors during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) the Adviser and (c) any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Fund during the fiscal year in which the services are provided that would have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

(2) For the Western Asset High Yield Defined Opportunity Fund Inc., the percentage of fees that were approved by the audit committee, with respect to: Audit-Related Fees were 100% for 2011; Tax Fees were 100% 2011; and Other Fees were 100% for 2011.

(f) N/A

(g) Non-audit fees billed by the Auditor for services rendered to Western Asset High Yield Defined Opportunity Fund Inc., LMPFA and any entity controlling, controlled by, or under common control with LMPFA that provides ongoing services to Western Asset High Yield Defined Opportunity Fund Inc. during the reporting period were $0 in 2011.

(h) Yes. Western Asset High Yield Defined Opportunity Fund Inc. s Audit Committee has considered whether the provision of non-audit services that were rendered to Service Affiliates, which were not pre-approved (not requiring pre-approval), is compatible with maintaining the Accountant s independence. All services provided by the Auditor to the Western Asset High Yield Defined Opportunity Fund Inc. or to Service Affiliates, which were required to be pre-approved, were pre-approved as required.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

a) Registrant has a separately-designated standing Audit Committee established in accordance with *Section 3(a)58(A) of the Exchange Act*. The Audit Committee consists of the following Board members:

William R. Hutchinson
Paolo M. Cucchi
Daniel P. Cronin
Carol L. Colman
Leslie H. Gelb
Dr. Riordan Roett
Jeswald W. Salacuse

b) Not applicable

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENTINVESTMENT COMPANIES

Proxy Voting Guidelines and Procedures

Legg Mason Partners Fund Advisor, LLC (LMPFA) delegates the responsibility for voting proxies for the fund to the subadviser through its contracts with the subadviser. The subadviser will use its own proxy voting policies and procedures to vote proxies. Accordingly, LMPFA does not expect to have proxy-voting responsibility for the fund. Should LMPFA become responsible for voting proxies for any reason, such as the inability of the subadviser to provide investment advisory services, LMPFA shall utilize the proxy voting guidelines established by the most recent subadviser to vote proxies until a new subadviser is retained.

The subadviser s Proxy Voting Policies and Procedures govern in determining how proxies relating to the fund s portfolio securities are voted and are provided below. Information regarding how each fund voted proxies (if any) relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge (1) by calling 888-425-6432, (2) on the fund s website at http://www.leggmason.com/individualinvestors and (3) on the SEC s website at http://www.sec.gov.

Background

Western Asset Management Company (WA), Western Asset Management Company Limited (WAML), Western Asset Management Company Ltd (WAMCL) and Western Asset Management Company Pte. Ltd. (WAMC) (together Western Asset) have adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with our fiduciary duties and SEC Rule 206(4)-6 under the Investment Advisers Act of 1940 (Advisers Act). Our authority to vote the proxies of our clients is established through investment management agreements or comparable documents, and our proxy voting guidelines have been tailored to reflect these specific contractual obligations. In addition to SEC requirements governing advisers, our proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts. Unless a manager of ERISA assets has been expressly precluded from voting proxies, the Department of Labor has determined that the responsibility for these votes lies with the Investment Manager.

In exercising its voting authority, Western Asset will not consult or enter into agreements with officers, directors or employees of Legg Mason Inc. or any of its affiliates (except that WA, WAML, WAMCL and WAMC may so consult and agree with each other) regarding the voting of any securities owned by its clients.

Policy

Western Asset s proxy voting procedures are designed and implemented in a way that is reasonably expected to ensure that proxy matters are handled in the best interest of our clients. While the guidelines included in the procedures are intended to provide a benchmark for voting standards, each vote is ultimately cast on a case-by-case basis, taking into consideration Western Asset s contractual obligations to our clients and all other relevant facts and circumstances at the time of the vote (such that these guidelines may be overridden to the extent Western Asset deems appropriate).

Procedures

Responsibility and Oversight

The Western Asset Compliance Department (Compliance Department) is responsible for administering and overseeing the proxy voting process. The gathering of proxies is coordinated through the Corporate Actions area of Investment Support (Corporate Actions). Research analysts and portfolio managers are responsible for determining appropriate voting positions on each proxy utilizing any applicable guidelines contained in these procedures.

Client Authority

Prior to August 1, 2003, all existing client investment management agreements (IMAs) will be reviewed to determine whether Western Asset has authority to vote client proxies. At account start-up, or upon amendment of an IMA, the applicable client IMA are similarly reviewed. If an agreement is silent on proxy voting, but contains an overall delegation of discretionary authority or if the account represents assets of an ERISA plan, Western Asset will assume responsibility for proxy voting. The Client Account Transition Team maintains a matrix of proxy voting authority.

Proxy Gathering

Registered owners of record, client custodians, client banks and trustees (Proxy Recipients) that receive proxy materials on behalf of clients should forward them to Corporate Actions. Prior to August 1, 2003, Proxy Recipients of existing clients will be reminded of the appropriate routing to Corporate Actions for proxy materials received and reminded of their responsibility to forward all proxy materials on a timely basis. Proxy Recipients for new clients (or, if Western Asset becomes aware that the applicable Proxy Recipient for an existing client has changed, the Proxy Recipient for the existing client) are notified at start-up of appropriate routing to Corporate Actions of proxy materials received and reminded of their responsibility to forward all proxy materials on a timely basis. If Western Asset personnel other than Corporate Actions receive proxy materials, they should promptly forward the materials to Corporate Actions.

Proxy Voting

Once proxy materials are received by Corporate Actions, they are forwarded to the Compliance Department for coordination and the following actions:

a. Proxies are reviewed to determine accounts impacted.

b. Impacted accounts are checked to confirm Western Asset voting authority.

c. Compliance Department staff reviews proxy issues to determine any material conflicts of interest. (See conflicts of interest section of these procedures for further information on determining material conflicts of interest.)

d. If a material conflict of interest exists, (i) to the extent reasonably practicable and permitted by applicable law, the client is promptly notified, the conflict is disclosed and Western Asset obtains the client s proxy voting instructions, and (ii) to the extent that it is not reasonably practicable or permitted by applicable law to notify the client and obtain such instructions (e.g., the client is a mutual fund or other commingled vehicle or is an ERISA plan client), Western Asset seeks voting instructions from an independent third party.

e. Compliance Department staff provides proxy material to the appropriate research analyst or portfolio manager to obtain their recommended vote. Research analysts and portfolio managers determine votes on a case-by-case basis taking into account the voting guidelines contained in these procedures. For avoidance of doubt, depending on the best interest of each individual client, Western Asset may vote the same proxy differently for different clients. The analyst s or portfolio manager s basis for their decision is documented and maintained by the Compliance Department.

f. Compliance Department staff votes the proxy pursuant to the instructions received in (d) or (e) and returns the voted proxy as indicated in the proxy materials.

Timing

Western Asset personnel act in such a manner to ensure that, absent special circumstances, the proxy gathering and proxy voting steps noted above can be completed before the applicable deadline for returning proxy votes.

Recordkeeping

Western Asset maintains records of proxies voted pursuant to Section 204-2 of the Advisers Act and ERISA DOL Bulletin 94-2. These records include:

a. A copy of Western Asset s policies and procedures.

b. Copies of proxy statements received regarding client securities.

c. A copy of any document created by Western Asset that was material to making a decision how to vote proxies.

d. Each written client request for proxy voting records and Western Asset s written response to both verbal and written client requests.

e. A proxy log including:

1. Issuer name;

2. Exchange ticker symbol of the issuer s shares to be voted;

3. Council on Uniform Securities Identification Procedures (CUSIP) number for the shares to be voted;

4. A brief identification of the matter voted on;

5. Whether the matter was proposed by the issuer or by a shareholder of the issuer;

6. Whether a vote was cast on the matter;

7. A record of how the vote was cast; and

8. Whether the vote was cast for or against the recommendation of the issuer s management team.

Records are maintained in an easily accessible place for five years, the first two in Western Asset s offices.

<u>Disclosure</u>

Part II of the WA Form ADV, the WAML Form ADV, WAMCL Form ADV and WAMC Form ADV, each, contain a description of Western Asset s proxy policies. Prior to August 1, 2003, Western Asset will deliver Part II of its revised Form ADV to all existing clients, along with a letter identifying the new disclosure. Clients will be provided a copy of these policies and procedures upon request. In addition, upon request, clients may receive reports on how their proxies have been voted.

Conflicts of Interest

All proxies are reviewed by the Compliance Department for material conflicts of interest. Issues to be reviewed include, but are not limited to:

1. Whether Western Asset (or, to the extent required to be considered by applicable law, its affiliates) manages assets for the company or an employee group of the company or otherwise has an interest in the company;

2. Whether Western Asset or an officer or director of Western Asset or the applicable portfolio manager or analyst responsible for recommending the proxy vote (together, Voting Persons) is a close relative of or has a personal or business relationship with an executive, director or person who is a candidate for director of the company or is a participant in a proxy contest; and

3. Whether there is any other business or personal relationship where a Voting Person has a personal interest in the outcome of the matter before shareholders.

Voting Guidelines

Western Asset s substantive voting decisions turn on the particular facts and circumstances of each proxy vote and are evaluated by the designated research analyst or portfolio manager. The examples outlined below are meant as guidelines to aid in the decision making process.

Guidelines are grouped according to the types of proposals generally presented to shareholders. Part I deals with proposals which have been approved and are recommended by a company s board of directors; Part II deals with proposals submitted by shareholders for inclusion in proxy statements; Part III addresses issues relating to voting shares of investment companies; and Part IV addresses unique considerations pertaining to foreign issuers.

I. Board Approved Proposals

The vast majority of matters presented to shareholders for a vote involve proposals made by a company itself that have been approved and recommended by its board of directors. In view of the enhanced corporate governance practices currently being implemented in public companies, Western Asset generally votes in support of decisions reached by independent boards of directors. More specific guidelines related to certain board-approved proposals are as follows:

1. Matters relating to the Board of Directors

Western Asset votes proxies for the election of the company s nominees for directors and for board-approved proposals on other matters relating to the board of directors with the following exceptions:

a. Votes are withheld for the entire board of directors if the board does not have a majority of independent directors or the board does not have nominating, audit and compensation committees composed solely of independent directors.

b. Votes are withheld for any nominee for director who is considered an independent director by the company and who has received compensation from the company other than for service as a director.

c. Votes are withheld for any nominee for director who attends less than 75% of board and committee meetings without valid reasons for absences.

d. Votes are cast on a case-by-case basis in contested elections of directors.

2. Matters relating to Executive Compensation

Western Asset generally favors compensation programs that relate executive compensation to a company s long-term performance. Votes are cast on a case-by-case basis on board-approved proposals relating to executive compensation, except as follows:

a. Except where the firm is otherwise withholding votes for the entire board of directors, Western Asset votes for stock option plans that will result in a minimal annual dilution.

b. Western Asset votes against stock option plans or proposals that permit replacing or repricing of underwater options.

c. Western Asset votes against stock option plans that permit issuance of options with an exercise price below the stock s current market price.

d. Except where the firm is otherwise withholding votes for the entire board of directors, Western Asset votes for employee stock purchase plans that limit the discount for shares purchased under the plan to no more than 15% of their market value, have an offering period of 27 months or less and result in dilution of 10% or less.

3. Matters relating to Capitalization

The management of a company s capital structure involves a number of important issues, including cash flows, financing needs and market conditions that are unique to the circumstances of each company. As a result, Western Asset votes on a case-by-case basis on board-approved proposals involving changes to a company s capitalization except where Western Asset is otherwise withholding votes for the entire board of directors.

a. Western Asset votes for proposals relating to the authorization of additional common stock.

b. Western Asset votes for proposals to effect stock splits (excluding reverse stock splits).

c. Western Asset votes for proposals authorizing share repurchase programs.

4. Matters relating to Acquisitions, Mergers, Reorganizations and Other Transactions

Western Asset votes these issues on a case-by-case basis on board-approved transactions.

5. Matters relating to Anti-Takeover Measures

Western Asset votes against board-approved proposals to adopt anti-takeover measures except as follows:

a. Western Asset votes on a case-by-case basis on proposals to ratify or approve shareholder rights plans.

b. Western Asset votes on a case-by-case basis on proposals to adopt fair price provisions.

6. Other Business Matters

Western Asset votes for board-approved proposals approving such routine business matters such as changing the company s name, ratifying the appointment of auditors and procedural matters relating to the shareholder meeting.

a. Western Asset votes on a case-by-case basis on proposals to amend a company s charter or bylaws.

b. Western Asset votes against authorization to transact other unidentified, substantive business at the meeting.

II. Shareholder Proposals

SEC regulations permit shareholders to submit proposals for inclusion in a company s proxy statement. These proposals generally seek to change some aspect of a company s corporate governance structure or to change some aspect of its business operations. Western Asset votes in accordance with the recommendation of the company s board of directors on all shareholder proposals, except as follows:

1. Western Asset votes for shareholder proposals to require shareholder approval of shareholder rights plans.

2. Western Asset votes for shareholder proposals that are consistent with Western Asset s proxy voting guidelines for board-approved proposals.

3. Western Asset votes on a case-by-case basis on other shareholder proposals where the firm is otherwise withholding votes for the entire board of directors.

III. Voting Shares of Investment Companies

Western Asset may utilize shares of open or closed-end investment companies to implement its investment strategies. Shareholder votes for investment companies that fall within the categories listed in Parts I and II above are voted in accordance with those guidelines.

1. Western Asset votes on a case-by-case basis on proposals relating to changes in the investment objectives of an investment company taking into account the original intent of the fund and the role the fund plays in the clients portfolios.

2. Western Asset votes on a case-by-case basis all proposals that would result in increases in expenses (e.g., proposals to adopt 12b-1 plans, alter investment advisory arrangements or approve fund mergers) taking into account comparable expenses for similar funds and the services to be provided.

IV. Voting Shares of Foreign Issuers

In the event Western Asset is required to vote on securities held in foreign issuers i.e. issuers that are incorporated under the laws of a foreign jurisdiction and that are not listed on a U.S. securities exchange or the NASDAQ stock market, the following guidelines are used, which are premised on the existence of a sound corporate governance and disclosure framework. These guidelines, however, may not be appropriate under some circumstances for foreign issuers and therefore apply only where applicable.

1. Western Asset votes for shareholder proposals calling for a majority of the directors to be independent of management.

2. Western Asset votes for shareholder proposals seeking to increase the independence of board nominating, audit and compensation committees.

3. Western Asset votes for shareholder proposals that implement corporate governance standards similar to those established under U.S. federal law and the listing requirements of U.S. stock exchanges, and that do not otherwise violate the laws of the jurisdiction under which the company is incorporated.

4. Western Asset votes on a case-by-case basis on proposals relating to (1) the issuance of common stock in excess of 20% of a company s outstanding common stock where shareholders do not have preemptive rights, or (2) the issuance of common stock in excess of 100% of a company s outstanding common stock where shareholders have preemptive rights.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

(a)(1):

NAME AND ADDRESS	**LENGTH OF TIME SERVED**	**PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS**
Stephen A. Walsh Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2010	Co-portfolio manager of the fund; Deputy Chief Investment Officer of Western Asset from 2000 to 2008; Chief Investment Officer of Western Asset since 2008.
Keith J. Gardner Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2010	Co-portfolio manager of the fund; portfolio manager and research analyst at Western Asset since 1994.
Michael C. Buchanan Western Asset	Since 2010	Co-portfolio manager of the fund; formerly, Managing Director and head of U.S. Credit Products from 2003-2005 at Credit Suisse Asset Management

385 East Colorado Blvd.

Pasadena, CA

91101

(a)(2): DATA TO BE PROVIDED BY FINANCIAL CONTROL

The following tables set forth certain additional information with respect to the fund s portfolio managers for the fund. Unless noted otherwise, all information is provided as of August 31, 2011

Other Accounts Managed by Portfolio Managers

The table below identifies the number of accounts (other than the fund) for which the fund s portfolio managers have day-to-day management responsibilities and the total assets in such accounts, within each of the following categories: registered investment companies, other pooled investment vehicles, and other accounts. For each category, the number of accounts and total assets in the accounts where fees are based on performance is also indicated.

Portfolio Manager(s)	**Registered Investment Companies**	**Other Pooled Investment Vehicles**	**Other Accounts**
Stephen A. Walsh	99 registered investment companies with $152.8 billion in total assets under management	213 Other pooled investment vehicles with $113.7 billion in assets under management*	746 Other accounts with $180.0 billion in total assets under management**
Keith J. Gardner	40 registered investment companies with $26.9 billion in total assets under management	6 Other pooled investment vehicles with $2.5 billion in assets under management	2 Other accounts with $0.5 billion in total assets under management
Michael C. Buchanan	46 registered investment Companies with $30.5 billion in total assets Under management	8 Other pooled investment vehicles with $4.6 billion in assets under management	13 Other accounts with $2.0 billion in total assets under management

* Includes 6 accounts managed, totaling $0.9 billion, for which advisory fee is performance based.

** Includes 79 accounts managed, totaling $20.1 billion, for which advisory fee is performance based.

The numbers above reflect the overall number of portfolios managed by employees of Western Asset Management Company (Western Asset). Mr. Leech and Mr. Walsh are involved in the management of all the Firm s portfolios, but they are not solely responsible for particular portfolios. Western Asset s investment discipline emphasizes a team approach that combines the efforts of groups of specialists working in different market sectors. They are responsible for overseeing implementation of Western Asset s overall investment ideas and coordinating the work of the various sector teams. This structure ensures that client portfolios benefit from a consensus that draws on the expertise of all team members.

(a)(3): *Portfolio Manager Compensation*

With respect to the compensation of the portfolio managers, Western Asset s compensation system assigns each employee a total compensation range, which is derived from annual market surveys that benchmark each role with its job function and peer universe. This method is designed to reward employees with total compensation reflective of the external market value of their skills, experience, and ability to produce desired results. Standard compensation includes competitive base salaries, generous employee benefits, and a retirement plan.

In addition, the subadviser s employees are eligible for bonuses. These are structured to closely align the interests of employees with those of the subadviser, and are determined by the professional s job function and pre-tax performance as measured by a formal review process. All bonuses are completely discretionary. The principal factor considered is a portfolio manager s investment performance versus appropriate peer groups and benchmarks (*e.g*., a securities index and with respect to a fund, the benchmark set forth in the fund s Prospectus to which the fund s average annual total returns are compared or, if none, the benchmark set forth in the fund s annual report). Performance is reviewed on a 1, 3 and 5 year basis for compensation with 3 years having the most emphasis. The subadviser may also measure a portfolio manager s pre-tax investment performance against other benchmarks, as it determines appropriate. Because portfolio managers are generally responsible for multiple accounts (including the funds) with similar investment strategies, they are generally compensated on the performance of the aggregate group of similar accounts, rather than a specific account. Other factors that may be considered when making bonus decisions include client service, business development, length of service to the subadviser, management or supervisory responsibilities, contributions to developing business strategy and overall contributions to the subadviser s business.

Finally, in order to attract and retain top talent, all professionals are eligible for additional incentives in recognition of outstanding performance. These are determined based upon the factors described above and include Legg Mason stock options and long-term incentives that vest over a set period of time past the award date.

Potential Conflicts of Interest

Conflicts of Interest

The manager, subadvisers and portfolio managers have interests which conflict with the interests of the fund. There is no guarantee that the policies and procedures adopted by the manager, the subadvisers and the fund will be able to identify or mitigate these conflicts of interest.

Some examples of material conflicts of interest include:

Allocation of Limited Time and Attention. A portfolio manager who is responsible for managing multiple funds and/or accounts may devote unequal time and attention to the management of those funds and/or accounts. A portfolio manager may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those funds and accounts as might be the case if he or she were to devote substantially more attention to the management of a single fund. Such a portfolio manager may make general determinations across multiple funds, rather than tailoring a unique approach for each fund. The effects of this conflict may be more pronounced where funds and/or accounts overseen by a particular portfolio manager have different investment strategies.

Allocation of Limited Investment Opportunities; Aggregation of Orders. If a portfolio manager identifies a limited investment opportunity that may be suitable for multiple funds and/or accounts, the opportunity may be allocated among these several funds or accounts, which may limit the fund s ability to take full advantage of the investment opportunity. Additionally, a subadviser may aggregate transaction orders for multiple accounts for purpose of execution. Such aggregation may cause the price or brokerage costs to be less favorable to a particular client than if similar transactions were not being executed concurrently for other accounts. In addition, a subadviser s trade allocation policies may result in the fund s orders not being fully executed or being delayed in execution.

Pursuit of Differing Strategies. At times, a portfolio manager may determine that an investment opportunity may be appropriate for only some of the funds and/or accounts for which he or she exercises investment responsibility, or may decide that certain of the funds and/or accounts should take differing positions with respect to a particular security. In these cases, the portfolio manager may place separate transactions for one or more funds or accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other funds and/or accounts. For example, a portfolio manager may determine that it would be in the interest of another account to sell a security that the fund holds long, potentially resulting in a decrease in the market value of the security held by the fund.

Cross Trades. Portfolio managers may manage funds that engage in cross trades, where one of the manager s funds or accounts sells a particular security to another fund or account managed by the same manager. Cross trades may pose conflicts of interest because of, for example, the possibility that one account sells a security to another account at a higher price than an independent third party would pay or otherwise enters into a transaction that it would not enter into with an independent party, such as the sale of a difficult-to-obtain security.

Selection of Broker/Dealers. Portfolio managers may select or influence the selection of the brokers and dealers that are used to execute securities transactions for the funds and/or accounts that they supervise. In addition to executing trades, some brokers and dealers provide subadvisers with brokerage and research services, These services may be taken into account in the selection of brokers and dealers whether a broker is being selected to effect a trade on an agency basis for a commission or (as is normally the case for the funds) whether a dealer is being selected to effect a trade on a principal basis. This may result in the payment of higher brokerage fees and/or execution at a less favorable price than might have otherwise been available. The services obtained may ultimately be more beneficial to certain of the manager s funds or accounts than to others (but not necessarily to the funds that pay the increased commission or incur the less favorable execution). A decision as to the selection of brokers and dealers could therefore yield disproportionate costs and benefits among the funds and/or accounts managed.

Variation in Financial and Other Benefits. A conflict of interest arises where the financial or other benefits available to a portfolio manager differ among the funds and/or accounts that he or she manages. If the amount or structure of the investment manager s management fee and/or a portfolio manager s compensation differs among funds and/or accounts (such as where certain funds or accounts pay higher management fees or performance-based management fees), the portfolio manager might be motivated to help certain funds and/or accounts over others. Similarly, the desire to maintain assets under management or to enhance the portfolio manager s performance record or to derive other rewards, financial or otherwise, could influence the portfolio manager in affording preferential treatment to those funds and/or accounts that could most significantly benefit the portfolio manager. A portfolio manager may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor such funds and/or accounts. Also, a portfolio manager s or the manager s or a subadviser s desire to increase assets under management could influence the portfolio manager to keep a fund open for new investors without regard to potential benefits of closing the fund to new investors. Additionally, the portfolio manager might be motivated to favor funds and/or accounts in which he or she has an ownership interest or in which the investment manager and/or its affiliates have ownership interests. Conversely, if a portfolio manager does not personally hold an investment in the fund, the portfolio manager s conflicts of interest with respect to the fund may be more acute.

Related Business Opportunities. The investment manager or its affiliates may provide more services (such as distribution or recordkeeping) for some types of funds or accounts than for others. In such cases, a portfolio manager may benefit, either directly or indirectly, by devoting disproportionate attention to the management of funds and/or accounts that provide greater overall returns to the investment manager and its affiliates.

(a)(4): *Portfolio Manager Securities Ownership*

The table below identifies the dollar range of securities beneficially owned by each portfolio managers as of August 31, 2011.

Portfolio Manager(s)	**Dollar Range of Portfolio Securities Beneficially Owned**
Stephen A. Walsh	A
Keith J. Gardner	A
Michael C. Buchanan	E

Dollar Range ownership is as follows:
A: none
B: $1 - $10,000
C: 10,001 - $50,000
D: $50,001 - $100,000
E: $100,001 - $500,000
F: $500,001 - $1 million
G: over $1 million

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

NONE.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

NONE.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The registrant s principal executive officer and principal financial officer have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a- 3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant s last fiscal half-year (the registrant s second fiscal half-year in the case of an annual report) that have materially affected, or are likely to materially affect the registrant s internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Code of Ethics attached hereto.
Exhibit 99.CODE ETH

(a) (2) Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002 attached hereto.
Exhibit 99.CERT

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 attached hereto.
Exhibit 99.906CERT

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this Report to be signed on its behalf by the undersigned, there unto duly authorized.

Western Asset High Yield Defined Opportunity Fund Inc.

By: /s/ R. Jay Gerken
R. Jay Gerken
Chief Executive Officer of
Western Asset High Yield Defined Opportunity Fund Inc.

Date: October 26, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ R. Jay Gerken
R. Jay Gerken
Chief Executive Officer of
Western Asset High Yield Defined Opportunity Fund Inc.

Date: October 26, 2011

By: /s/ Kaprel Ozsolak
Kaprel Ozsolak
Chief Financial Officer of
Western Asset High Yield Defined Opportunity Fund Inc.

Date: October 26, 2011