

Western Asset Income Fund  
Form N-Q  
November 23, 2010

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

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-02351

Western Asset Income Fund  
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY  
(Address of principal executive offices)

10041  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-888-777-0102

Date of fiscal year end: December 31

Date of reporting period: September 30, 2010

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ITEM 1. SCHEDULE OF INVESTMENTS

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**WESTERN ASSET INCOME FUND**

**FORM N-Q**

**SEPTEMBER 30, 2010**

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited)

September 30, 2010

|                                                   | RATE   | MATURITY DATE | FACE AMOUNT | VALUE      |
|---------------------------------------------------|--------|---------------|-------------|------------|
| SECURITY                                          |        |               |             |            |
| CORPORATE BONDS & NOTES 95.1%                     |        |               |             |            |
| CONSUMER DISCRETIONARY 6.1%                       |        |               |             |            |
| <b>Auto Components 0.1%</b>                       |        |               |             |            |
| BorgWarner Inc., Senior Notes                     | 4.625% | 9/15/20       | \$ 130,000  | \$ 132,018 |
| <b>Automobiles 0.7%</b>                           |        |               |             |            |
| Motors Liquidation Co., Senior Debentures         | 8.250% | 7/15/23       | 2,710,000   | 873,975(a) |
| <b>Household Durables 0.4%</b>                    |        |               |             |            |
| Stanley Black & Decker Inc., Senior Notes         | 5.200% | 9/1/40        | 580,000     | 580,851    |
| <b>Internet &amp; Catalog Retail 0.2%</b>         |        |               |             |            |
| QVC Inc., Senior Secured Notes                    | 7.375% | 10/15/20      | 300,000     | 310,500(b) |
| <b>Media 4.0%</b>                                 |        |               |             |            |
| Comcast Cable Holdings LLC                        | 9.800% | 2/1/12        | 375,000     | 416,364    |
| Comcast Corp., Bonds                              | 6.400% | 5/15/38       | 950,000     | 1,050,665  |
| Comcast Corp., Notes                              | 6.450% | 3/15/37       | 120,000     | 133,305    |
| Comcast Corp., Senior Notes                       | 6.950% | 8/15/37       | 160,000     | 187,614    |
| News America Inc., Senior Notes                   | 6.550% | 3/15/33       | 545,000     | 608,298    |
| Omnicom Group Inc., Notes                         | 6.250% | 7/15/19       | 370,000     | 434,983    |
| TCI Communications Inc.                           | 8.750% | 8/1/15        | 160,000     | 201,389    |
| Time Warner Cable Inc., Senior Notes              | 8.750% | 2/14/19       | 520,000     | 686,709    |
| Time Warner Entertainment Co., LP, Senior Notes   | 8.375% | 7/15/33       | 530,000     | 686,882    |
| Time Warner Inc., Senior Debentures               | 7.700% | 5/1/32        | 595,000     | 743,524    |
| WPP Finance UK, Senior Notes                      | 8.000% | 9/15/14       | 180,000     | 214,668    |
| <i>Total Media</i>                                |        |               |             | 5,364,401  |
| <b>Multiline Retail 0.7%</b>                      |        |               |             |            |
| Macy's Retail Holdings Inc.                       | 5.350% | 3/15/12       | 270,000     | 281,475    |
| Macy's Retail Holdings Inc., Debentures           | 6.650% | 7/15/24       | 180,000     | 183,150    |
| Macy's Retail Holdings Inc., Notes                | 5.750% | 7/15/14       | 400,000     | 424,000    |
| <i>Total Multiline Retail</i>                     |        |               |             | 888,625    |
| TOTAL CONSUMER DISCRETIONARY                      |        |               |             | 8,150,370  |
| CONSUMER STAPLES 4.1%                             |        |               |             |            |
| <b>Beverages 0.5%</b>                             |        |               |             |            |
| Anheuser-Busch InBev Worldwide Inc., Senior Notes | 5.375% | 1/15/20       | 370,000     | 417,652    |
| Dr. Pepper Snapple Group Inc., Senior Notes       | 6.820% | 5/1/18        | 240,000     | 296,939    |
| <i>Total Beverages</i>                            |        |               |             | 714,591    |
| <b>Food &amp; Staples Retailing 1.1%</b>          |        |               |             |            |
| Delhaize Group, Senior Notes                      | 6.500% | 6/15/17       | 290,000     | 345,791    |
| Safeway Inc., Senior Notes                        | 3.950% | 8/15/20       | 690,000     | 693,887    |
| Wal-Mart Stores Inc., Senior Notes                | 6.500% | 8/15/37       | 380,000     | 474,231    |
| <i>Total Food &amp; Staples Retailing</i>         |        |               |             | 1,513,909  |
| <b>Food Products 0.3%</b>                         |        |               |             |            |
| Kraft Foods Inc., Senior Notes                    | 5.375% | 2/10/20       | 340,000     | 379,797    |
| <b>Tobacco 2.2%</b>                               |        |               |             |            |
| Lorillard Tobacco Co., Senior Notes               | 8.125% | 6/23/19       | 340,000     | 389,185    |
| Lorillard Tobacco Co., Senior Notes               | 8.125% | 5/1/40        | 390,000     | 418,772    |

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|                                                |        |          |           |                  |
|------------------------------------------------|--------|----------|-----------|------------------|
| Philip Morris International Inc., Senior Notes | 6.875% | 3/17/14  | 490,000   | 577,714          |
| Reynolds American Inc., Senior Notes           | 7.250% | 6/1/12   | 1,360,000 | 1,470,681        |
| <i>Total Tobacco</i>                           |        |          |           | 2,856,352        |
| <b>TOTAL CONSUMER STAPLES</b>                  |        |          |           | <b>5,464,649</b> |
| <b>ENERGY 14.1%</b>                            |        |          |           |                  |
| <b>Energy Equipment &amp; Services 1.4%</b>    |        |          |           |                  |
| Baker Hughes Inc., Senior Notes                | 7.500% | 11/15/18 | 370,000   | 472,202          |
| Baker Hughes Inc., Senior Notes                | 5.125% | 9/15/40  | 240,000   | 249,957          |
| Transocean Inc., Senior Notes                  | 4.950% | 11/15/15 | 460,000   | 478,340          |
| Weatherford International Ltd., Senior Notes   | 5.125% | 9/15/20  | 580,000   | 592,922          |
| <i>Total Energy Equipment &amp; Services</i>   |        |          |           | <i>1,793,421</i> |
| <b>Oil, Gas &amp; Consumable Fuels 12.7%</b>   |        |          |           |                  |
| Anadarko Finance Co., Senior Notes             | 7.500% | 5/1/31   | 465,000   | 502,902          |
| Anadarko Petroleum Corp., Senior Notes         | 6.375% | 9/15/17  | 35,000    | 38,568           |
| Apache Corp.                                   | 6.900% | 9/15/18  | 100,000   | 125,643          |

*See Notes to Schedule of Investments.*

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2010

| SECURITY                                                      | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|---------------------------------------------------------------|--------|------------------|----------------|-------------------|
| <b>Oil, Gas &amp; Consumable Fuels continued</b>              |        |                  |                |                   |
| Apache Corp., Senior Notes                                    | 6.000% | 1/15/37          | \$ 190,000     | \$ 215,484        |
| BP Capital Markets PLC, Senior Notes                          | 3.125% | 10/1/15          | 740,000        | 743,887           |
| ConocoPhillips, Notes                                         | 6.500% | 2/1/39           | 810,000        | 1,014,572         |
| ConocoPhillips, Senior Notes                                  | 6.000% | 1/15/20          | 360,000        | 442,944           |
| Devon Financing Corp. ULC, Debentures                         | 7.875% | 9/30/31          | 380,000        | 508,914           |
| Duke Capital LLC, Senior Notes                                | 6.250% | 2/15/13          | 800,000        | 870,760           |
| El Paso Corp., Medium-Term Notes                              | 7.800% | 8/1/31           | 2,000,000      | 2,075,738         |
| Enbridge Energy Partners LP                                   | 9.875% | 3/1/19           | 120,000        | 163,637           |
| Energy Transfer Partners LP, Senior Notes                     | 9.700% | 3/15/19          | 170,000        | 225,531           |
| Enterprise Products Operating LLC, Senior Notes               | 6.125% | 10/15/39         | 320,000        | 344,438           |
| EOG Resources Inc., Senior Notes                              | 5.875% | 9/15/17          | 540,000        | 636,031           |
| Hess Corp., Notes                                             | 7.875% | 10/1/29          | 1,180,000      | 1,527,527         |
| Hess Corp., Senior Bonds                                      | 6.000% | 1/15/40          | 300,000        | 329,598           |
| Kerr-McGee Corp., Notes                                       | 6.950% | 7/1/24           | 300,000        | 327,261           |
| Kinder Morgan Energy Partners LP, Senior Notes                | 7.125% | 3/15/12          | 530,000        | 568,962           |
| LUKOIL International Finance BV, Bonds                        | 6.356% | 6/7/17           | 310,000        | 323,562(b)        |
| Pemex Project Funding Master Trust, Senior Bonds              | 6.625% | 6/15/35          | 2,635,000      | 2,878,553         |
| Petrobras International Finance Co., Global Notes             | 5.875% | 3/1/18           | 879,000        | 976,740           |
| Petroplus Finance Ltd., Senior Notes                          | 7.000% | 5/1/17           | 600,000        | 522,000(b)        |
| Shell International Finance BV, Senior Notes                  | 6.375% | 12/15/38         | 250,000        | 316,972           |
| Williams Cos. Inc., Debentures                                | 7.500% | 1/15/31          | 76,000         | 85,991            |
| Williams Cos. Inc., Senior Notes                              | 8.750% | 3/15/32          | 926,000        | 1,160,381         |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>                  |        |                  |                | <i>16,926,596</i> |
| TOTAL ENERGY                                                  |        |                  |                | 18,720,017        |
| FINANCIALS 34.2%                                              |        |                  |                |                   |
| <b>Capital Markets 4.9%</b>                                   |        |                  |                |                   |
| Credit Suisse AG, Subordinated Notes                          | 5.400% | 1/14/20          | 480,000        | 512,044           |
| Goldman Sachs Capital I, Capital Securities                   | 6.345% | 2/15/34          | 555,000        | 535,009           |
| Goldman Sachs Capital II, Junior Subordinated Bonds           | 5.793% | 6/1/12           | 880,000        | 746,900(c)(d)     |
| Goldman Sachs Group Inc., Senior Notes                        | 6.000% | 5/1/14           | 40,000         | 44,626            |
| Goldman Sachs Group Inc., Senior Notes                        | 5.375% | 3/15/20          | 270,000        | 284,583           |
| Goldman Sachs Group Inc., Subordinated Notes                  | 6.750% | 10/1/37          | 640,000        | 665,232           |
| Kaupthing Bank HF, Senior Notes                               | 5.750% | 10/4/11          | 480,000        | 128,400(a)(b)(e)  |
| Kaupthing Bank HF, Senior Notes                               | 7.625% | 2/28/15          | 620,000        | 165,850(a)(b)(e)  |
| Kaupthing Bank HF, Subordinated Notes                         | 7.125% | 5/19/16          | 1,250,000      | 0(a)(b)(e)(f)     |
| Lehman Brothers Holdings Capital Trust VII, Medium-Term Notes | 5.857% | 5/31/12          | 1,745,000      | 175(a)(c)(d)      |
| Lehman Brothers Holdings Inc.                                 | 5.750% | 5/17/13          | 350,000        | 77,438(a)         |
| Lehman Brothers Holdings Inc., Subordinated Notes             | 6.500% | 7/19/17          | 110,000        | 11(a)             |

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|                                                                   |         |          |           |                  |
|-------------------------------------------------------------------|---------|----------|-----------|------------------|
| Merrill Lynch & Co. Inc., Senior Notes                            | 6.400%  | 8/28/17  | 300,000   | 328,291          |
| Merrill Lynch & Co. Inc., Senior Notes,<br>Medium-Term Notes      | 6.050%  | 8/15/12  | 400,000   | 429,324          |
| Merrill Lynch & Co. Inc., Subordinated Notes                      | 5.700%  | 5/2/17   | 1,000,000 | 1,034,237        |
| Merrill Lynch & Co. Inc., Subordinated Notes                      | 6.110%  | 1/29/37  | 320,000   | 312,870          |
| Morgan Stanley, Medium-Term Notes                                 | 6.625%  | 4/1/18   | 100,000   | 110,866          |
| Morgan Stanley, Senior Notes                                      | 6.000%  | 5/13/14  | 860,000   | 944,151          |
| Morgan Stanley, Senior Notes                                      | 5.500%  | 7/24/20  | 100,000   | 103,022          |
| Morgan Stanley, Subordinated Notes                                | 4.750%  | 4/1/14   | 60,000    | 62,662           |
| <i>Total Capital Markets</i>                                      |         |          |           | <i>6,485,691</i> |
| <b>Commercial Banks 9.2%</b>                                      |         |          |           |                  |
| BAC Capital Trust XIV, Junior Subordinated<br>Notes               | 5.630%  | 3/15/12  | 585,000   | 420,469(c)(d)    |
| Banco Mercantil del Norte SA, Subordinated<br>Bonds               | 6.135%  | 10/13/16 | 750,000   | 750,044(b)(c)    |
| BankAmerica Capital III, Junior Subordinated<br>Notes             | 1.096%  | 1/15/27  | 215,000   | 152,049(c)       |
| BankAmerica Institutional Capital A, Junior<br>Subordinated Bonds | 8.070%  | 12/31/26 | 130,000   | 134,550(b)       |
| BankAmerica Institutional Capital B, Junior<br>Subordinated Bonds | 7.700%  | 12/31/26 | 480,000   | 491,400(b)       |
| Barclays Bank PLC, Subordinated Notes                             | 10.179% | 6/12/21  | 240,000   | 320,057(b)       |
| BB&T Capital Trust II, Junior Subordinated<br>Notes               | 6.750%  | 6/7/36   | 230,000   | 242,242          |
| BPCE SA, Subordinated Bonds                                       | 12.500% | 9/30/19  | 361,000   | 415,540(b)(c)(d) |
| Commonwealth Bank of Australia, Senior Notes                      | 5.000%  | 10/15/19 | 60,000    | 65,043(b)        |

*See Notes to Schedule of Investments.*

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2010

| SECURITY                                                                       | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE                 |
|--------------------------------------------------------------------------------|---------|------------------|----------------|-----------------------|
| <b>Commercial Banks continued</b>                                              |         |                  |                |                       |
| Credit Agricole SA, Subordinated Notes                                         | 8.375%  | 10/13/19         | \$ 1,050,000   | \$ 1,123,500(b)(c)(d) |
| First Union Capital I, Junior Subordinated Notes                               | 7.935%  | 1/15/27          | 420,000        | 431,039               |
| Glitnir Banki HF, Notes                                                        | 6.330%  | 7/28/11          | 400,000        | 122,000(a)(b)(e)      |
| Glitnir Banki HF, Subordinated Bonds                                           | 7.451%  | 9/14/16          | 210,000        | 0(a)(b)(d)(e)(f)      |
| Glitnir Banki HF, Subordinated Notes                                           | 6.693%  | 6/15/16          | 680,000        | 0(a)(b)(e)(f)         |
| HBOS Capital Funding LP, Tier 1 Notes, Perpetual Bonds                         | 6.071%  | 6/30/14          | 560,000        | 492,800(b)(c)(d)      |
| HSBC Bank USA, Subordinated Notes                                              | 4.875%  | 8/24/20          | 530,000        | 552,790               |
| HSBC Finance Capital Trust IX, Junior Subordinated Notes                       | 5.911%  | 11/30/35         | 1,350,000      | 1,260,562(c)          |
| ICICI Bank Ltd., Subordinated Bonds                                            | 6.375%  | 4/30/22          | 200,000        | 201,030(b)(c)         |
| Landsbanki Islands HF                                                          | 7.431%  | 10/19/17         | 730,000        | 0(a)(b)(d)(e)(f)      |
| Rabobank Nederland NV, Junior Subordinated Notes                               | 11.000% | 6/30/19          | 858,000        | 1,115,400(b)(c)(d)    |
| Resona Preferred Global Securities Cayman Ltd., Junior Subordinated Bonds      | 7.191%  | 7/30/15          | 1,095,000      | 1,073,340(b)(c)(d)    |
| Royal Bank of Scotland Group PLC, Junior Subordinated Notes, Medium-Term Notes | 7.640%  | 9/29/17          | 100,000        | 74,250(a)(c)(d)       |
| Royal Bank of Scotland Group PLC, Senior Notes                                 | 6.400%  | 10/21/19         | 220,000        | 239,396               |
| Royal Bank of Scotland Group PLC, Senior Subordinated Notes                    | 6.375%  | 2/1/11           | 150,000        | 152,169               |
| Royal Bank of Scotland Group PLC, Subordinated Notes                           | 5.000%  | 11/12/13         | 70,000         | 70,520                |
| Royal Bank of Scotland Group PLC, Subordinated Notes                           | 5.000%  | 10/1/14          | 510,000        | 511,147               |
| Shinsei Finance Cayman Ltd., Junior Subordinated Bonds                         | 6.418%  | 7/20/16          | 460,000        | 301,721(b)(c)(d)      |
| SunTrust Capital, Trust Preferred Securities                                   | 6.100%  | 12/15/36         | 520,000        | 483,600(c)            |
| Wachovia Capital Trust III, Junior Subordinated Bonds                          | 5.800%  | 3/15/11          | 630,000        | 552,825(c)(d)         |
| Wells Fargo Capital X, Capital Securities                                      | 5.950%  | 12/15/36         | 450,000        | 438,434               |
| <i>Total Commercial Banks</i>                                                  |         |                  |                | <i>12,187,917</i>     |
| <b>Consumer Finance 4.3%</b>                                                   |         |                  |                |                       |
| Ally Financial Inc., Senior Notes                                              | 7.500%  | 12/31/13         | 1,551,000      | 1,647,937             |
| Ally Financial Inc., Senior Notes                                              | 8.300%  | 2/12/15          | 370,000        | 403,300(b)            |
| Ally Financial Inc., Subordinated Notes                                        | 8.000%  | 12/31/18         | 201,000        | 206,527               |
| American Express Co., Senior Notes                                             | 8.125%  | 5/20/19          | 220,000        | 284,109               |
| American Express Co., Subordinated Debentures                                  | 6.800%  | 9/1/66           | 370,000        | 370,000(c)            |
| Capital One Financial Corp., Senior Notes                                      | 6.750%  | 9/15/17          | 230,000        | 276,436               |
| Ford Motor Credit Co., LLC, Senior Notes                                       | 7.000%  | 4/15/15          | 610,000        | 651,834               |
| GMAC Inc., Senior Notes                                                        | 8.000%  | 11/1/31          | 728,000        | 780,780               |
| SLM Corp., Medium-Term Notes, Senior Notes                                     | 5.000%  | 10/1/13          | 610,000        | 597,790               |

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|                                                          |        |          |           |               |
|----------------------------------------------------------|--------|----------|-----------|---------------|
| SLM Corp., Medium-Term Notes, Senior Notes               | 5.050% | 11/14/14 | 130,000   | 123,797       |
| SLM Corp., Medium-Term Notes, Senior Notes               | 8.000% | 3/25/20  | 210,000   | 208,389       |
| SLM Corp., Medium-Term Notes, Senior Notes               | 5.625% | 8/1/33   | 180,000   | 138,415       |
| <i>Total Consumer Finance</i>                            |        |          |           | 5,689,314     |
| <b>Diversified Financial Services 10.9%</b>              |        |          |           |               |
| AES El Salvador Trust, Senior Notes                      | 6.750% | 2/1/16   | 750,000   | 701,194(b)    |
| AIG SunAmerica Global Financing VI, Senior Secured Notes | 6.300% | 5/10/11  | 880,000   | 897,600(b)    |
| Bank of America Corp., Notes, Preferred Securities       | 8.000% | 1/30/18  | 150,000   | 154,731(c)(d) |
| Bank of America Corp., Senior Notes                      | 7.625% | 6/1/19   | 70,000    | 83,010        |
| Bank of America Corp., Senior Notes                      | 5.625% | 7/1/20   | 60,000    | 63,402        |
| Beaver Valley Funding Corp., Senior Secured Bonds        | 9.000% | 6/1/17   | 199,000   | 220,086       |
| Capital One Bank USA N.A., Senior Subordinated Notes     | 6.500% | 6/13/13  | 330,000   | 365,118       |
| Capital One Capital VI                                   | 8.875% | 5/15/40  | 190,000   | 199,500       |
| Citigroup Inc., Senior Notes                             | 6.375% | 8/12/14  | 620,000   | 688,495       |
| Citigroup Inc., Senior Notes                             | 5.500% | 10/15/14 | 270,000   | 292,969       |
| Citigroup Inc., Senior Notes                             | 6.010% | 1/15/15  | 210,000   | 230,874       |
| Citigroup Inc., Senior Notes                             | 8.500% | 5/22/19  | 1,280,000 | 1,582,516     |
| Citigroup Inc., Senior Notes                             | 8.125% | 7/15/39  | 450,000   | 568,433       |
| Citigroup Inc., Subordinated Notes                       | 6.125% | 8/25/36  | 550,000   | 535,691       |

*See Notes to Schedule of Investments.*

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2010

| SECURITY                                                                                    | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|---------------------------------------------------------------------------------------------|--------|------------------|----------------|-------------------|
| <b>Diversified Financial Services</b>                                                       |        |                  |                |                   |
| <b>continued</b>                                                                            |        |                  |                |                   |
| General Electric Capital Corp., Senior Notes                                                | 5.900% | 5/13/14          | \$ 1,000,000   | \$ 1,132,604      |
| General Electric Capital Corp., Senior Notes                                                | 6.000% | 8/7/19           | 1,120,000      | 1,260,207         |
| General Electric Capital Corp., Senior Notes                                                | 4.375% | 9/16/20          | 1,060,000      | 1,063,925         |
| General Electric Capital Corp., Subordinated Debentures                                     | 6.375% | 11/15/67         | 600,000        | 598,500(c)        |
| ILFC E-Capital Trust II, Bonds                                                              | 6.250% | 12/21/65         | 790,000        | 533,250(b)(c)     |
| International Lease Finance Corp., Senior Notes                                             | 8.750% | 3/15/17          | 190,000        | 203,775(b)        |
| International Lease Finance Corp., Senior Notes                                             | 8.875% | 9/1/17           | 470,000        | 507,600           |
| International Lease Finance Corp., Senior Secured Notes                                     | 6.500% | 9/1/14           | 80,000         | 85,800(b)         |
| JPMorgan Chase & Co., Subordinated Notes                                                    | 6.125% | 6/27/17          | 720,000        | 814,910           |
| UFJ Finance Aruba AEC                                                                       | 6.750% | 7/15/13          | 355,000        | 400,115           |
| ZFS Finance USA Trust II, Bonds                                                             | 6.450% | 12/15/65         | 1,440,000      | 1,368,000(b)(c)   |
| <i>Total Diversified Financial Services</i>                                                 |        |                  |                | <i>14,552,305</i> |
| <b>Insurance 3.7%</b>                                                                       |        |                  |                |                   |
| Allstate Corp., Junior Subordinated Debentures                                              | 6.500% | 5/15/57          | 480,000        | 445,200(c)        |
| American International Group Inc., Junior Subordinated Debentures                           | 6.250% | 3/15/37          | 80,000         | 68,600            |
| ASIF Global Financing XIX                                                                   | 4.900% | 1/17/13          | 30,000         | 30,675(b)         |
| AXA SA, Subordinated Bonds                                                                  | 8.600% | 12/15/30         | 200,000        | 231,227           |
| CNA Financial Corp., Senior Notes                                                           | 5.875% | 8/15/20          | 260,000        | 265,114           |
| Delphi Financial Group Inc., Senior Notes                                                   | 7.875% | 1/31/20          | 170,000        | 190,417           |
| Liberty Mutual Group, Junior Subordinated Bonds                                             | 7.800% | 3/15/37          | 300,000        | 283,500(b)        |
| Liberty Mutual Group, Senior Notes                                                          | 5.750% | 3/15/14          | 270,000        | 283,828(b)        |
| MetLife Inc., Junior Subordinated Debentures                                                | 6.400% | 12/15/36         | 1,160,000      | 1,084,600         |
| Prudential Financial Inc., Junior Subordinated Debentures                                   | 8.875% | 6/15/38          | 340,000        | 379,100(c)        |
| Prudential Holdings LLC, Bonds, FSA-Insured                                                 | 7.245% | 12/18/23         | 260,000        | 308,100(b)        |
| Teachers Insurance & Annuity Association of America - College Retirement Equity Fund, Notes | 6.850% | 12/16/39         | 400,000        | 492,232(b)        |
|                                                                                             | 6.250% | 3/15/37          | 620,000        | 595,200(c)        |

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|                                                        |        |          |         |            |
|--------------------------------------------------------|--------|----------|---------|------------|
| Travelers Cos. Inc., Junior Subordinated<br>Debentures |        |          |         |            |
| Willis North America Inc., Senior Notes                | 5.625% | 7/15/15  | 230,000 | 245,805    |
| <i>Total Insurance</i>                                 |        |          |         | 4,903,598  |
| <b>Real Estate Investment Trusts (REITs) 0.1%</b>      |        |          |         |            |
| Digital Realty Trust LP, Bonds                         | 5.875% | 2/1/20   | 20,000  | 21,263(b)  |
| Health Care REIT Inc., Senior Notes                    | 5.875% | 5/15/15  | 130,000 | 142,734    |
| <i>Total Real Estate Investment Trusts (REITs)</i>     |        |          |         | 163,997    |
| <b>Thrifts &amp; Mortgage Finance 1.1%</b>             |        |          |         |            |
| Countrywide Financial Corp.,<br>Medium-Term Notes      | 5.800% | 6/7/12   | 850,000 | 902,950    |
| Countrywide Financial Corp.,<br>Subordinated Notes     | 6.250% | 5/15/16  | 500,000 | 538,142    |
| <i>Total Thrifts &amp; Mortgage Finance</i>            |        |          |         | 1,441,092  |
| <b>TOTAL FINANCIALS</b>                                |        |          |         | 45,423,914 |
| HEALTH CARE 7.6%                                       |        |          |         |            |
| <b>Biotechnology 0.6%</b>                              |        |          |         |            |
| Amgen Inc., Senior Notes                               | 3.450% | 10/1/20  | 820,000 | 825,503    |
| <b>Health Care Equipment &amp; Supplies 0.6%</b>       |        |          |         |            |
| Boston Scientific Corp., Senior Notes                  | 6.000% | 1/15/20  | 450,000 | 479,942    |
| Hospira Inc., Senior Notes                             | 6.050% | 3/30/17  | 210,000 | 241,172    |
| <i>Total Health Care Equipment &amp; Supplies</i>      |        |          |         | 721,114    |
| <b>Health Care Providers &amp; Services<br/>5.7%</b>   |        |          |         |            |
| Aetna Inc., Senior Notes                               | 6.500% | 9/15/18  | 240,000 | 284,953    |
| Aetna Inc., Senior Notes                               | 3.950% | 9/1/20   | 200,000 | 199,782    |
| Cardinal Health Inc.                                   | 5.500% | 6/15/13  | 210,000 | 230,411    |
| Coventry Health Care Inc., Senior Notes                | 5.950% | 3/15/17  | 440,000 | 440,163    |
| HCA Inc., Senior Notes                                 | 7.875% | 2/1/11   | 250,000 | 252,500    |
| HCA Inc., Senior Notes                                 | 6.300% | 10/1/12  | 180,000 | 182,700    |
| HCA Inc., Senior Notes                                 | 6.250% | 2/15/13  | 930,000 | 946,275    |
| HCA Inc., Senior Notes                                 | 5.750% | 3/15/14  | 65,000  | 64,106     |
| HCA Inc., Senior Secured Notes                         | 9.125% | 11/15/14 | 400,000 | 421,500    |
| HCA Inc., Senior Secured Notes                         | 9.250% | 11/15/16 | 500,000 | 541,250    |
| Humana Inc.                                            | 8.150% | 6/15/38  | 190,000 | 208,810    |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2010

| SECURITY                                                                   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE             |
|----------------------------------------------------------------------------|---------|---------------|-------------|-------------------|
| <b>Health Care Providers &amp; Services continued</b>                      |         |               |             |                   |
| Humana Inc., Senior Notes                                                  | 6.450%  | 6/1/16        | \$ 220,000  | \$ 244,232        |
| Medco Health Solutions Inc., Senior Notes                                  | 4.125%  | 9/15/20       | 450,000     | 455,671           |
| Tenet Healthcare Corp., Senior Secured Notes                               | 9.000%  | 5/1/15        | 732,000     | 796,050(f)        |
| Tenet Healthcare Corp., Senior Secured Notes                               | 10.000% | 5/1/18        | 732,000     | 836,310(f)        |
| UnitedHealth Group Inc., Senior Notes                                      | 6.000%  | 11/15/17      | 31,000      | 36,173            |
| Universal Health Services Inc., Notes                                      | 7.125%  | 6/30/16       | 520,000     | 559,314           |
| WellPoint Inc., Notes                                                      | 5.875%  | 6/15/17       | 540,000     | 622,347           |
| WellPoint Inc., Senior Notes                                               | 4.350%  | 8/15/20       | 240,000     | 248,760           |
| <i>Total Health Care Providers &amp; Services</i>                          |         |               |             | <i>7,571,307</i>  |
| <b>Life Sciences Tools &amp; Services 0.3%</b>                             |         |               |             |                   |
| Life Technologies Corp., Senior Notes                                      | 6.000%  | 3/1/20        | 380,000     | 430,469           |
| <b>Pharmaceuticals 0.4%</b>                                                |         |               |             |                   |
| Pfizer Inc., Senior Notes                                                  | 6.200%  | 3/15/19       | 270,000     | 332,439           |
| Wyeth, Notes                                                               | 5.950%  | 4/1/37        | 170,000     | 200,561           |
| <i>Total Pharmaceuticals</i>                                               |         |               |             | <i>533,000</i>    |
| <b>TOTAL HEALTH CARE</b>                                                   |         |               |             | <b>10,081,393</b> |
| <b>INDUSTRIALS 5.0%</b>                                                    |         |               |             |                   |
| <b>Aerospace &amp; Defense 1.3%</b>                                        |         |               |             |                   |
| Esterline Technologies Corp., Senior Notes                                 | 7.000%  | 8/1/20        | 750,000     | 776,250(b)        |
| L-3 Communications Corp., Senior Subordinated Notes                        | 6.375%  | 10/15/15      | 660,000     | 680,625           |
| Systems 2001 Asset Trust                                                   | 6.664%  | 9/15/13       | 267,937     | 295,588(b)        |
| <i>Total Aerospace &amp; Defense</i>                                       |         |               |             | <i>1,752,463</i>  |
| <b>Airlines 1.1%</b>                                                       |         |               |             |                   |
| Continental Airlines Inc., Pass-Through Certificates                       | 9.250%  | 5/10/17       | 50,000      | 53,187(f)         |
| Continental Airlines Inc., Pass-Through Certificates                       | 6.545%  | 2/2/19        | 104,454     | 108,893           |
| Continental Airlines Inc., Pass-Through Certificates, Senior Secured Notes | 7.250%  | 11/10/19      | 220,000     | 239,800           |
| Continental Airlines Inc., Senior Secured Notes                            | 7.256%  | 3/15/20       | 182,552     | 191,224           |
| Delta Air Lines, Pass-Through Trust, Senior Secured Notes                  | 7.750%  | 12/17/19      | 304,919     | 338,460           |
| Delta Air Lines Inc., Pass-Through Certificates                            | 7.111%  | 9/18/11       | 290,000     | 303,050           |
| Delta Air Lines Inc., Pass-Through Certificates                            | 7.711%  | 9/18/11       | 110,000     | 112,750           |
| United Airlines, Pass-Through Trust, Secured Notes                         | 9.750%  | 1/15/17       | 133,242     | 146,899           |

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|                                                                 |        |          |         |            |
|-----------------------------------------------------------------|--------|----------|---------|------------|
| <i>Total Airlines</i>                                           |        |          |         | 1,494,263  |
| <b>Commercial Banks 0.7%</b>                                    |        |          |         |            |
| Mizuho Financial Group Cayman Ltd.                              | 5.790% | 4/15/14  | 800,000 | 881,633(b) |
| <b>Commercial Services &amp; Supplies 0.4%</b>                  |        |          |         |            |
| Republic Services Inc., Senior Notes                            | 5.500% | 9/15/19  | 130,000 | 146,444    |
| Republic Services Inc., Senior Notes                            | 5.250% | 11/15/21 | 330,000 | 364,607    |
| <i>Total Commercial Services &amp; Supplies</i>                 |        |          |         | 511,051    |
| <b>Industrial Conglomerates 0.3%</b>                            |        |          |         |            |
| United Technologies Corp., Senior Notes                         | 6.125% | 2/1/19   | 300,000 | 371,153    |
| <b>Machinery 0.5%</b>                                           |        |          |         |            |
| Valmont Industries Inc., Senior Notes                           | 6.625% | 4/20/20  | 680,000 | 700,553    |
| <b>Road &amp; Rail 0.7%</b>                                     |        |          |         |            |
| Asciano Finance Ltd., Senior Notes                              | 3.125% | 9/23/15  | 490,000 | 491,521(b) |
| Asciano Finance Ltd., Senior Notes                              | 4.625% | 9/23/20  | 420,000 | 423,601(b) |
| <i>Total Road &amp; Rail</i>                                    |        |          |         | 915,122    |
| <b>TOTAL INDUSTRIALS</b>                                        |        |          |         | 6,626,238  |
| <b>INFORMATION TECHNOLOGY</b>                                   |        |          |         |            |
| 2.0%                                                            |        |          |         |            |
| <b>Electronic Equipment, Instruments &amp; Components 0.4%</b>  |        |          |         |            |
| Agilent Technologies Inc., Senior Notes                         | 5.000% | 7/15/20  | 140,000 | 148,552    |
| Corning Inc., Senior Notes                                      | 5.750% | 8/15/40  | 360,000 | 381,878    |
| <i>Total Electronic Equipment, Instruments &amp; Components</i> |        |          |         | 530,430    |
| <b>IT Services 1.2%</b>                                         |        |          |         |            |
| Electronic Data Systems Corp., Notes                            | 7.450% | 10/15/29 | 420,000 | 561,645    |
| Fiserv Inc., Senior Notes                                       | 4.625% | 10/1/20  | 630,000 | 636,765    |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2010

| SECURITY                                                 | RATE   | MATURITY DATE | FACE AMOUNT | VALUE        |
|----------------------------------------------------------|--------|---------------|-------------|--------------|
| <b>IT Services continued</b>                             |        |               |             |              |
| Mantech International Corp., Senior Notes                | 7.250% | 4/15/18       | \$ 320,000  | \$ 332,000   |
| <i>Total IT Services</i>                                 |        |               |             | 1,530,410    |
| <b>Semiconductors &amp; Semiconductor Equipment 0.1%</b> |        |               |             |              |
| National Semiconductor Corp., Senior Notes               | 6.600% | 6/15/17       | 110,000     | 128,222      |
| <b>Software 0.3%</b>                                     |        |               |             |              |
| Symantec Corp., Senior Notes                             | 4.200% | 9/15/20       | 390,000     | 391,568      |
| TOTAL INFORMATION TECHNOLOGY MATERIALS 5.2%              |        |               |             | 2,580,630    |
| <b>Chemicals 1.0%</b>                                    |        |               |             |              |
| Dow Chemical Co., Debentures                             | 7.375% | 11/1/29       | 800,000     | 922,911      |
| Lubrizol Corp., Senior Notes                             | 8.875% | 2/1/19        | 280,000     | 363,770      |
| <i>Total Chemicals</i>                                   |        |               |             | 1,286,681    |
| <b>Containers &amp; Packaging 0.1%</b>                   |        |               |             |              |
| Ball Corp., Senior Notes                                 | 6.625% | 3/15/18       | 110,000     | 115,775      |
| <b>Metals &amp; Mining 3.7%</b>                          |        |               |             |              |
| Barrick Gold Financeco LLC, Senior Notes                 | 6.125% | 9/15/13       | 250,000     | 284,625      |
| Freeport-McMoRan Copper & Gold Inc., Senior Notes        | 8.375% | 4/1/17        | 1,730,000   | 1,931,113    |
| Nucor Corp., Senior Notes                                | 4.125% | 9/15/22       | 320,000     | 325,900      |
| Rio Tinto Finance USA Ltd., Senior Notes                 | 9.000% | 5/1/19        | 660,000     | 921,017      |
| Southern Copper Corp., Senior Notes                      | 5.375% | 4/16/20       | 150,000     | 158,803      |
| Vale Overseas Ltd., Notes                                | 6.875% | 11/21/36      | 1,148,000   | 1,311,542    |
| <i>Total Metals &amp; Mining</i>                         |        |               |             | 4,933,000    |
| <b>Paper &amp; Forest Products 0.4%</b>                  |        |               |             |              |
| Georgia-Pacific Corp.                                    | 7.375% | 12/1/25       | 250,000     | 258,750      |
| Georgia-Pacific Corp., Debentures                        | 9.500% | 12/1/11       | 325,000     | 349,375      |
| <i>Total Paper &amp; Forest Products</i>                 |        |               |             | 608,125      |
| TOTAL MATERIALS                                          |        |               |             | 6,943,581    |
| TELECOMMUNICATION SERVICES 9.0%                          |        |               |             |              |
| <b>Diversified Telecommunication Services 7.3%</b>       |        |               |             |              |
| AT&T Corp., Senior Notes                                 | 8.000% | 11/15/31      | 9,000       | 12,039       |
| AT&T Inc., Global Notes                                  | 6.550% | 2/15/39       | 1,230,000   | 1,430,458    |
| AT&T Inc., Senior Notes                                  | 5.350% | 9/1/40        | 1,103,809   | 1,109,009(b) |
| British Telecommunications PLC, Bonds                    | 9.875% | 12/15/30      | 330,000     | 459,480      |
| Deutsche Telekom International Finance BV, Bonds         | 8.750% | 6/15/30       | 580,000     | 812,147      |
| Deutsche Telekom International Finance BV, Senior Notes  | 5.750% | 3/23/16       | 160,000     | 184,584      |
| Embarq Corp., Notes                                      | 7.082% | 6/1/16        | 330,000     | 366,764      |
| Koninklijke KPN NV, Senior Notes                         | 8.375% | 10/1/30       | 240,000     | 330,744      |
| Qwest Corp., Debentures                                  | 6.875% | 9/15/33       | 1,000,000   | 987,500      |
| Telecom Italia Capital SA, Senior Notes                  | 7.721% | 6/4/38        | 390,000     | 440,422      |
| Telecom Italia Capital SpA, Senior Notes                 | 7.200% | 7/18/36       | 760,000     | 817,221      |

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|                                                         |        |          |         |                   |
|---------------------------------------------------------|--------|----------|---------|-------------------|
| Telefonica Emisiones SAU, Senior Notes                  | 5.877% | 7/15/19  | 220,000 | 251,754           |
| Telefonica Emisiones SAU, Senior Notes                  | 5.134% | 4/27/20  | 650,000 | 707,155           |
| Telefonica Emisiones SAU, Senior Notes                  | 7.045% | 6/20/36  | 100,000 | 119,740           |
| Verizon Communications Inc., Senior Notes               | 8.950% | 3/1/39   | 720,000 | 1,055,714         |
| Verizon Global Funding Corp., Senior Notes              | 5.850% | 9/15/35  | 570,000 | 614,079           |
| <i>Total Diversified Telecommunication Services</i>     |        |          |         | <i>9,698,810</i>  |
| <b>Wireless Telecommunication Services 1.7%</b>         |        |          |         |                   |
| America Movil SAB de CV, Senior Notes                   | 5.625% | 11/15/17 | 190,000 | 214,361           |
| Crown Castle Towers LLC, Senior Secured Notes           | 4.883% | 8/15/20  | 90,000  | 92,982(b)         |
| Rogers Cable Inc., Senior Secured Second Priority Notes | 6.250% | 6/15/13  | 250,000 | 281,322           |
| Rogers Wireless Inc., Secured Notes                     | 6.375% | 3/1/14   | 300,000 | 345,596           |
| Sprint Capital Corp., Global Notes                      | 6.900% | 5/1/19   | 330,000 | 331,650           |
| Sprint Capital Corp., Senior Notes                      | 8.750% | 3/15/32  | 940,000 | 987,000           |
| <i>Total Wireless Telecommunication Services</i>        |        |          |         | <i>2,252,911</i>  |
| <b>TOTAL TELECOMMUNICATION SERVICES</b>                 |        |          |         | <b>11,951,721</b> |

*See Notes to Schedule of Investments.*

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2010

| SECURITY                                                      | RATE   | MATURITY DATE | FACE AMOUNT | VALUE         |
|---------------------------------------------------------------|--------|---------------|-------------|---------------|
| UTILITIES 7.8%                                                |        |               |             |               |
| <b>Electric Utilities 4.8%</b>                                |        |               |             |               |
| Commonwealth Edison Co., First Mortgage Bonds                 | 5.800% | 3/15/18       | \$ 560,000  | \$ 655,071    |
| CP&L Inc., First Mortgage Secured Bonds                       | 5.300% | 1/15/19       | 220,000     | 255,663       |
| Duke Energy Corp., Senior Notes                               | 6.300% | 2/1/14        | 500,000     | 571,236       |
| Edison International, Senior Notes                            | 3.750% | 9/15/17       | 470,000     | 481,907       |
| EEB International Ltd., Senior Bonds                          | 8.750% | 10/31/14      | 260,000     | 283,400(b)    |
| Enersis SA, Notes                                             | 7.400% | 12/1/16       | 452,000     | 534,086       |
| FirstEnergy Corp., Notes                                      | 6.450% | 11/15/11      | 3,000       | 3,144         |
| FirstEnergy Corp., Notes                                      | 7.375% | 11/15/31      | 110,000     | 119,520       |
| Pacific Gas & Electric Co., First Mortgage Bonds              | 6.050% | 3/1/34        | 140,000     | 158,712       |
| PNPP II Funding Corp.                                         | 9.120% | 5/30/16       | 1,648,000   | 1,780,911     |
| Sithe Independence Funding, Notes                             | 9.000% | 12/30/13      | 943,176     | 976,291       |
| Virginia Electric and Power Co., Senior Notes                 | 8.875% | 11/15/38      | 390,000     | 593,512       |
| <i>Total Electric Utilities</i>                               |        |               |             | 6,413,453     |
| <b>Gas Utilities 0.2%</b>                                     |        |               |             |               |
| Southern Natural Gas Co., Notes                               | 5.900% | 4/1/17        | 170,000     | 186,599(b)    |
| <b>Independent Power Producers &amp; Energy Traders 1.3%</b>  |        |               |             |               |
| Dynegy Holdings Inc., Senior Notes                            | 8.750% | 2/15/12       | 735,000     | 736,837       |
| Energy Future Holdings Corp., Senior Notes                    | 5.550% | 11/15/14      | 1,500,000   | 802,500       |
| Energy Future Holdings Corp., Senior Notes                    | 6.500% | 11/15/24      | 520,000     | 198,900       |
| <i>Total Independent Power Producers &amp; Energy Traders</i> |        |               |             | 1,738,237     |
| <b>Multi-Utilities 1.5%</b>                                   |        |               |             |               |
| CenterPoint Energy Inc.                                       | 6.850% | 6/1/15        | 1,150,000   | 1,335,178     |
| Dominion Resources Inc., Senior Notes                         | 8.875% | 1/15/19       | 250,000     | 340,067       |
| DTE Energy Co.                                                | 6.350% | 6/1/16        | 260,000     | 304,145       |
| <i>Total Multi-Utilities</i>                                  |        |               |             | 1,979,390     |
| <b>TOTAL UTILITIES</b>                                        |        |               |             | 10,317,679    |
| <b>TOTAL CORPORATE BONDS &amp; NOTES (Cost \$122,877,957)</b> |        |               |             | 126,260,192   |
| <b>ASSET-BACKED SECURITIES</b>                                |        |               |             |               |
| 0.7%                                                          |        |               |             |               |
| <b>FINANCIALS 0.7%</b>                                        |        |               |             |               |
| <b>Automobiles 0.5%</b>                                       |        |               |             |               |
| AESOP Funding II LLC, 2010-3A A                               | 4.640% | 5/20/16       | 70,000      | 74,526(b)     |
| Hertz Vehicle Financing LLC, 2009-2A A1                       | 4.260% | 3/25/14       | 490,000     | 514,072(b)    |
| Hertz Vehicle Financing LLC, 2009-2X A2                       | 5.290% | 3/25/16       | 100,000     | 110,192(b)(f) |

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|                                                            |        |         |         |            |
|------------------------------------------------------------|--------|---------|---------|------------|
| <i>Total Automobiles</i>                                   |        |         |         | 698,790    |
| <b>Student Loan 0.2%</b>                                   |        |         |         |            |
| Education Funding Capital Trust,<br>2004-1 A5              | 1.758% | 6/15/43 | 300,000 | 276,000(c) |
| TOTAL ASSET-BACKED SECURITIES (Cost \$939,387)             |        |         |         | 974,790    |
| <b>COLLATERALIZED MORTGAGE OBLIGATIONS 0.5%</b>            |        |         |         |            |
| Thornburg Mortgage Securities Trust,<br>2007-4 2A1         | 6.188% | 9/25/37 | 321,945 | 305,781(c) |
| Thornburg Mortgage Securities Trust,<br>2007-4 3A1         | 6.178% | 9/25/37 | 339,305 | 330,346(c) |
| TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost \$655,297) |        |         |         | 636,127    |
| <b>SOVEREIGN BONDS 1.0%</b>                                |        |         |         |            |
| <b>Canada 0.8%</b>                                         |        |         |         |            |
| Quebec Province                                            | 7.970% | 7/22/36 | 650,000 | 980,391    |
| <b>Mexico 0.0%</b>                                         |        |         |         |            |
| United Mexican States,<br>Medium-Term Notes                | 6.750% | 9/27/34 | 24,000  | 29,820     |
| <b>Russia 0.2%</b>                                         |        |         |         |            |
| RSHB Capital, Loan Participation<br>Notes, Secured Notes   | 7.125% | 1/14/14 | 200,000 | 215,260(b) |
| Russian Foreign Bond-Eurobond,<br>Senior Bonds             | 7.500% | 3/31/30 | 48,330  | 57,716(b)  |
| <i>Total Russia</i>                                        |        |         |         | 272,976    |
| TOTAL SOVEREIGN BONDS (Cost \$1,017,135)                   |        |         |         | 1,283,187  |

See Notes to Schedule of Investments.

## WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2010

| SECURITY                                                                        | RATE              | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE         |
|---------------------------------------------------------------------------------|-------------------|------------------|----------------|---------------|
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 0.5%                                       |                   |                  |                |               |
| <b>U.S. Government Agencies 0.5%</b>                                            |                   |                  |                |               |
| Federal National Mortgage Association (FNMA), Debentures                        |                   |                  |                |               |
|                                                                                 | 0.000%            | 10/9/19          | \$ 350,000     | \$ 231,059    |
| Tennessee Valley Authority, Notes                                               |                   |                  |                |               |
|                                                                                 | 5.250%            | 9/15/39          | 390,000        | 452,647       |
| TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (Cost \$587,836)                     |                   |                  |                |               |
|                                                                                 |                   |                  |                | 683,706       |
| SHARES                                                                          |                   |                  |                |               |
| COMMON STOCKS 0.0%                                                              |                   |                  |                |               |
| INDUSTRIALS 0.0%                                                                |                   |                  |                |               |
| <b>Building Products 0.0%</b>                                                   |                   |                  |                |               |
| Nortek Inc.(Cost - \$57,088)                                                    |                   |                  |                |               |
|                                                                                 |                   |                  | 1,209          | 47,197*       |
| PREFERRED STOCKS 0.8%                                                           |                   |                  |                |               |
| FINANCIALS 0.8%                                                                 |                   |                  |                |               |
| <b>Commercial Banks 0.1%</b>                                                    |                   |                  |                |               |
| Santander Finance Preferred SA Unipersonal                                      |                   |                  |                |               |
|                                                                                 | 10.500%           |                  | 4,500          | 127,260       |
| <b>Diversified Financial Services 0.7%</b>                                      |                   |                  |                |               |
| Citigroup Capital XII, Junior Subordinated Notes                                |                   |                  |                |               |
|                                                                                 | 8.500%            |                  | 23,150         | 611,391(c)    |
| Citigroup Capital XIII, Junior Subordinated Notes                               |                   |                  |                |               |
|                                                                                 | 7.875%            |                  | 10,625         | 275,188*(c)   |
| <i>Total Diversified Financial Services</i>                                     |                   |                  |                |               |
|                                                                                 |                   |                  |                | 886,579       |
| <b>Thrifts &amp; Mortgage Finance 0.0%</b>                                      |                   |                  |                |               |
| Federal Home Loan Mortgage Corp. (FHLMC)                                        |                   |                  |                |               |
|                                                                                 | 8.375%            |                  | 96,825         | 41,635*(c)    |
| Federal National Mortgage Association (FNMA)                                    |                   |                  |                |               |
|                                                                                 | 8.250%            |                  | 11,700         | 5,089*(c)     |
| <i>Total Thrifts &amp; Mortgage Finance</i>                                     |                   |                  |                |               |
|                                                                                 |                   |                  |                | 46,724        |
| TOTAL PREFERRED STOCKS (Cost \$2,435,506)                                       |                   |                  |                |               |
|                                                                                 |                   |                  |                | 1,060,563     |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT (Cost \$128,570,206)             |                   |                  |                |               |
|                                                                                 |                   |                  |                | 130,945,762   |
| SHORT-TERM INVESTMENTS                                                          |                   |                  |                |               |
| 0.2%                                                                            |                   |                  |                |               |
| <b>U.S. Government Agencies 0.2%</b>                                            |                   |                  |                |               |
| Federal National Mortgage Association (FNMA), Discount Notes (Cost - \$220,676) |                   |                  |                |               |
|                                                                                 | 0.220 -<br>0.240% | 5/9/11           | 221,000        | 220,743(g)(h) |
| TOTAL INVESTMENTS 98.8% (Cost \$128,790,882#)                                   |                   |                  |                |               |
|                                                                                 |                   |                  |                | 131,166,505   |
| Other Assets in Excess of Liabilities                                           |                   |                  |                |               |
|                                                                                 | 1.2%              |                  |                | 1,636,015     |
| TOTAL NET ASSETS 100.0%                                                         |                   |                  |                |               |
|                                                                                 |                   |                  | \$             | 132,802,520   |

\* Non-income producing security.

(a) The coupon payment on these securities is currently in default as of September 30, 2010.

(b) 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.

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- (c) Variable rate security. Interest rate disclosed is that which is in effect at September 30, 2010.
- (d) Security has no maturity date. The date shown represents the next call date.
- (e) Illiquid security.
- (f) Security is valued in good faith at fair value in accordance with procedures approved by the Board of Directors (See Note 1).
- (g) Rate shown represents yield-to-maturity.
- (h) 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 substantially the same.

*See Notes to Schedule of Investments.*

**Notes to Schedule of Investments (unaudited)**

**1. Organization and Significant Accounting Policies**

Western Asset Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a closed-end diversified investment company.

The Fund's primary investment objective is to provide current income for its shareholders. Capital appreciation, when consistent with current income, is a secondary investment objective.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

**(a) Investment Valuation.** Debt securities are valued at the last quoted bid price provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market and are valued at the bid prices as of the close of business of that market. 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. When prices are not readily available, or are determined not to reflect fair value, 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 at fair value as determined in accordance with procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at the amortized cost, which approximates fair value.

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.

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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:

| DESCRIPTION                          | QUOTED<br>PRICES<br>(LEVEL 1) | OTHER<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL          |
|--------------------------------------|-------------------------------|-----------------------------------------------------------|----------------------------------------------------|----------------|
| Long-term investments :              |                               |                                                           |                                                    |                |
| Corporate bonds & notes              |                               | \$ 126,260,192                                            | \$ 0*                                              | 126,260,192    |
| Asset-backed securities              |                               | 864,598                                                   | 110,192                                            | 974,790        |
| Collateralized mortgage obligations  |                               | 636,127                                                   |                                                    | 636,127        |
| Sovereign bonds                      |                               | 1,283,187                                                 |                                                    | 1,283,187      |
| U.S. government & agency obligations |                               | 683,706                                                   |                                                    | 683,706        |
| Common stocks                        | \$ 47,197                     |                                                           |                                                    | 47,197         |
| Preferred stocks                     | 1,060,563                     |                                                           |                                                    | 1,060,563      |
| Total long-term investments          | \$ 1,107,760                  | \$ 129,727,810                                            | \$ 110,192                                         | \$ 130,945,762 |
| Short-term investments               |                               | 220,743                                                   |                                                    | 220,743        |
| Total investments                    | \$ 1,107,760                  | \$ 129,948,553                                            | \$ 110,192                                         | \$ 131,166,505 |
| Other financial instruments:         |                               |                                                           |                                                    |                |
| Futures contracts                    | \$ (210,198)                  |                                                           |                                                    | \$ (210,198)   |
| Total                                | \$ 897,562                    | \$ 129,948,553                                            | \$ 110,192                                         | \$ 130,956,307 |

\*Value is less than \$1.

See Schedule of Investments for additional detailed categorizations.

**Notes to Schedule of Investments (unaudited) (continued)**

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

| INVESTMENTS IN SECURITIES                                                                                                        | CORPORATE<br>BONDS &<br>NOTES | ASSET-<br>BACKED<br>SECURITIES | TOTAL      |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------|------------|
| Balance as of December 31, 2009                                                                                                  |                               |                                |            |
| Accrued premiums/discounts                                                                                                       |                               | \$ (303)                       | \$ (303)   |
| Realized gain(loss)                                                                                                              |                               |                                |            |
| Change in unrealized appreciation (depreciation) <sup>1</sup>                                                                    |                               | 7,745                          | 7,745      |
| Net purchases (sales)                                                                                                            |                               | 102,750                        | 102,750    |
| Transfers into Level 3                                                                                                           | \$ 0*                         |                                |            |
| Transfers out of Level 3                                                                                                         |                               |                                |            |
| Balance as of September 30, 2010                                                                                                 | \$ 0*                         | \$ 110,192                     | \$ 110,192 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2010 <sup>1</sup> |                               | \$ 7,745                       | \$ 7,745   |

\* Value is less than \$1.

<sup>1</sup> Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

**(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 may use futures contracts to gain exposure to, or hedge against, changes in the value of interest rates. 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,

**Notes to Schedule of Investments (unaudited) (continued)**

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.

Futures contracts involve, to varying degrees, risk of loss. 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) 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.

**(e) Credit and Market Risk.** Investments in securities that are collateralized by residential real estate mortgages are subject to certain credit and liquidity risks. When market conditions result in an increase in default rates of the underlying mortgages and foreclosure values of underlying real estate properties are materially below the outstanding amount of these underlying mortgages, collection of the full amount of accrued interest and principal on these investments may be doubtful. Such market conditions may significantly impair the value and liquidity of these investments and may result in a lack of correlation between their credit ratings and values.

**(f) Security Transactions.** Security transactions are accounted for on a trade date basis.

**2. Investments**

At September 30, 2010, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |    |              |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 12,675,623   |
| Gross unrealized depreciation |    | (10,300,000) |
| Net unrealized appreciation   | \$ | 2,375,623    |

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At September 30, 2010, the Fund had the following open futures contracts:

|                                               | NUMBER OF<br>CONTRACTS | EXPIRATION<br>DATE | BASIS<br>VALUE | MARKET<br>VALUE | UNREALIZED<br>GAIN (LOSS) |
|-----------------------------------------------|------------------------|--------------------|----------------|-----------------|---------------------------|
| <b>Contracts to Buy:</b>                      |                        |                    |                |                 |                           |
| Ultra Long-Term U.S. Treasury<br>Bonds        | 13                     | 12/10              | \$ 1,858,659   | \$ 1,836,656    | \$ (22,003)               |
| <b>Contracts to Sell:</b>                     |                        |                    |                |                 |                           |
| U.S. Treasury 2-Year Notes                    | 2                      | 12/10              | \$ 438,244     | \$ 438,969      | \$ (725)                  |
| U.S. Treasury 5-Year Notes                    | 44                     | 12/10              | 5,272,880      | 5,318,156       | (45,276)                  |
| U.S. Treasury 10-Year Notes                   | 85                     | 12/10              | 10,571,193     | 10,713,985      | (142,792)                 |
| U.S. Treasury 30-Year Bonds                   | 13                     | 12/10              | 1,738,942      | 1,738,344       | 598                       |
|                                               |                        |                    |                |                 | (188,195)                 |
| Net unrealized loss on open futures contracts |                        |                    |                |                 | \$ (210,198)              |

### 3. Derivative Instruments and Hedging Activities

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

The following is a summary of the Fund's derivative instruments categorized by risk exposure at September 30, 2010.

Notes to Schedule of Investments (unaudited) (continued)

| Primary Underlying<br>Risk Disclosure | Futures Contracts          |                            | Total        |
|---------------------------------------|----------------------------|----------------------------|--------------|
|                                       | Unrealized<br>Appreciation | Unrealized<br>Depreciation |              |
| Interest Rate Contracts               | \$ 598                     | \$ (210,796)               | \$ (210,198) |

During the period ended September 30, 2010, the volume of derivative activity for the Fund was as follows:

|                             | Average Market<br>Value |
|-----------------------------|-------------------------|
| Futures contracts (to buy)  | \$ 1,506,331            |
| Futures contracts (to sell) | 16,776,574              |

The Fund has several credit related contingent features that if triggered would allow its derivatives counterparties to close out and demand payment or additional collateral to cover their exposure from the Fund. Credit related contingent features are established between the Fund and its derivatives counterparties to reduce the risk that the Fund will not fulfill its payment obligations to its counterparties. These triggering features include, but are not limited to, a percentage decrease in the Fund's net assets and/or a percentage decrease in the Fund's Net Asset Value or NAV. The contingent features are established within the Fund's International Swap and Derivatives Association, Inc. master agreements which govern positions in swaps, over-the-counter options, and forward currency exchange contracts for each individual counterparty.

ITEM 2. 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 quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

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**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, thereunto duly authorized.

**Western Asset Income Fund**

By: /s/ R. Jay Gerken  
R. Jay Gerken  
President

Date: November 23, 2010

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  
President

Date: November 23, 2010

By: /s/ Kaprel Ozsolak  
Kaprel Ozsolak  
Principal Financial and Accounting Officer

Date: November 23, 2010

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