Western Asset Income Fund
Form N-CSR/A
March 24, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

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	10041
(Address of principal executive offices)	(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: (888)777-0102

Date of fiscal year end: December 31

Date of reporting period: December 31, 2010

ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

December 31, 2010

Annual Report

Western Asset Income Fund

(PAI)

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Fund objectives

The Fund seeks a high level of current income, consistent with prudent investment risk. Capital appreciation is a secondary objective.

What s inside

Letter from the president

Dear Shareholder,

We are pleased to provide the annual report of Western Asset Income Fund for the twelve-month reporting period ended December 31, 2010. Please read on for a detailed look at prevailing economic and market conditions during the Fund s reporting period and to learn how those conditions have affected Fund performance.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.leggmason.com/cef. Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

President

February 9, 2011

Investment commentary

Economic review

Despite continued headwinds from high unemployment and issues in the housing market, the U.S. economy continued to expand over the twelve months ended December 31, 2010. Toward the end of the reporting period, fears regarding moderating economic growth were replaced with optimism for a strengthening economy in 2011. With investor sentiment improving, U.S. equities moved sharply higher in the fourth quarter, while rising interest rates negatively impacted some sectors of the fixed-income market. All told, during 2010, investors who took on additional risk in their portfolios were generally rewarded.

In September 2010, the National Bureau of Economic Research (NBER), the organization charged with determining when recessions start and end, announced that the recession that began in December 2007 had concluded in June 2009. However, the NBER said, In determining that a trough occurred in June 2009, the committee did not conclude that economic conditions since that month have been favorable or that the economy has returned to operating at normal capacity. The NBER s point is well-taken given continued areas of weakness in the U.S. economy.

Although the U.S. Department of Commerce continued to report positive U.S. gross domestic product (GDP)i growth, the expansion has moderated since peaking at 5.0% in the fourth quarter of 2009. A slower drawdown in business inventories and renewed consumer spending were contributing factors spurring the economy s solid growth at the end of 2009. However, the economy grew at a more modest pace in 2010. According to the Commerce Department, GDP growth was 3.7%, 1.7% and 2.6% during the first, second and third quarters of 2010, respectively. The initial estimate for fourth quarter GDP was a 3.2% expansion.

Turning to the job market, while the unemployment rate moved lower in December 2010, it remained elevated throughout the reporting period. While 384,000 new jobs were created during the fourth quarter and the unemployment rate fell from 9.8% in November to 9.4% in December 2010, there continued to be some disturbing trends in the labor market. The unemployment rate has now exceeded 9.0% for twenty consecutive months, the longest period since the government began tracking this data in 1949. In addition, the U.S. Department of Labor reported in December that a total of 14.5 million Americans looking for work have yet to find a job, and 44% of these individuals have been out of work for more than six months.

There was mixed news in the housing market during the period. According to the National Association of Realtors (NAR), existing-home sales increased 7.0% and 8.0% in March and April, respectively, after sales had fallen for the period from December 2009 through February 2010. The rebound was largely attributed to people rushing to take advantage of the government s $8,000 tax credit for first-time home buyers that expired at the end of April. However, with the end of the tax credit, existing-home sales then declined from May through July. Sales then generally rose from August through the end of

Investment commentary (cont d)

the year. In total, existing-home sales volume in 2010 was 4.9 million, the lowest amount since 1997. Looking at home prices, the NAR reported that the median existing-home price for all housing types rose a tepid 0.3% in 2010. The inventory of unsold homes was an 8.1 month supply in December at the current sales level, versus a 9.5 month supply in November.

The manufacturing sector was one area of the economy that remained relatively strong during 2010. Based on the Institute for Supply Management s PMI[ii], the manufacturing sector has grown seventeen consecutive months since it began expanding in August 2009. After reaching a six-year peak of 60.4 in April 2010 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion), PMI data indicated somewhat more modest growth through the remainder of the year. However, in December, the manufacturing sector expanded at its fastest pace in seven months, with a reading of 57.0 versus 56.6 in November.

Financial market overview

The financial markets experienced several periods of volatility during the reporting period that tested the resolve of novice and experienced investors alike. During most of the first four months of the reporting period, the financial markets were largely characterized by healthy investor risk appetite and solid results by stocks and lower-quality bonds. The market then experienced sharp sell-offs in late April and in May, and again beginning in mid-November. During those periods, investors tended to favor the relative safety of U.S. Treasury securities. However, these setbacks proved to be only temporary and, in each case, risk aversion was replaced with solid demand for riskier assets.

Due to signs that certain areas of the economy were moderating in the second half of the reporting period, the Federal Reserve Board (Fed)[iii] took further actions to spur the economy. At its August 10th meeting, the Fed announced an ongoing program that calls for using the proceeds from expiring agency debt and agency mortgage-backed securities to purchase longer-dated Treasury securities.

In addition, the Fed remained cautious throughout the reporting period given pockets of weakness in the economy. At its meeting in September 2010, the Fed said, The Committee will continue to monitor the economic outlook and financial developments and is prepared to provide additional accommodation if needed to support the economic recovery. . . . This led to speculation that the Fed may again move to purchase large amounts of agency and Treasury securities in an attempt to avoid a double-dip recession and ward off deflation.

The Fed then took additional action in early November. Citing that the pace of recovery in output and employment continues to be slow, the Fed announced another round of quantitative easing to help stimulate the economy, entailing the purchase of $600 billion of long-term U.S. Treasury securities by the end of the second quarter of 2011. This, coupled with the Fed s previously announced program to use the proceeds of expiring securities to purchase Treasuries, means it could buy a total of $850 billion to $900 billion of Treasury securities by the end of June 2011. At its final meeting of the year in December, the Fed said it will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.

Fixed-income market review

Continuing the trend that began in the second quarter of 2009, nearly every spread sector (non-Treasury) outperformed equal-durationiv Treasuries during most of the first four months of the reporting period. Over that time, investor confidence was high given encouraging economic data, continued low interest rates, benign inflation and rebounding corporate profits. Robust investor appetite was then replaced with heightened risk aversion toward the end of April and during the month of May. This was due to the escalating sovereign debt crisis in Europe, uncertainties regarding new financial reforms in the U.S. and some worse-than-expected economic data. Most spread sectors then produced positive absolute returns in June and July, as investor demand for these securities again increased. There was another bout of risk aversion in August, given fears that the economy may slip back into a recession. However, with the Fed indicating the possibility of another round of quantitative easing, most spread sectors rallied in September and October. The spread sectors started to weaken again toward the middle of November as financial troubles in Ireland resulted in a re-emergence of the European sovereign debt crisis. While several spread sectors regained their footing in December, others remained weak given ongoing uncertainties in Europe and concerns regarding economic growth in China and its potential impact on the global economy.

Both short- and long-term Treasury yields fluctuated but, overall, moved lower during the twelve months ended December 31, 2010. When the period began, two- and ten-year Treasury yields were 1.14% and 3.85%, respectively. On April 5, 2010, two- and ten-year Treasury yields peaked at 1.18% and 4.01%, respectively. Subsequent to hitting their highs for the period, yields largely declined during much of the next six months, with two-year Treasuries hitting their low for the year of 0.33% on November 4, 2010. Ten-year Treasuries reached their 2010 trough of 2.41% in early October. Yields then moved sharply higher given expectations for stronger growth in 2011 and the potential for rising inflation. When the period ended on December 31, 2010, two-year Treasury yields were 0.61% and ten-year Treasury yields were 3.30%. For the twelve months ended December 31, 2010, the Barclays Capital U.S. Aggregate Indexv returned 6.54%.

The U.S. high-yield bond market produced strong results during the reporting period. The asset class posted positive returns during each month, except for May and November 2010 when risk aversion rose sharply. The high-yield market was supported by better-than-expected corporate profits and overall strong investor demand. All told, the

Investment commentary (cont d)

Barclays Capital U.S. High Yield 2% Issuer Cap Index[vi] returned 14.94% for the twelve months ended December 31, 2010.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

President

January 28, 2011

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Institute for Supply Management s PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

iii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

iv Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

v The Barclays Capital U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

vi The Barclays Capital U.S. High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

Fund overview

Q. What is the Fund s investment strategy?

A. The Fund seeks a high level of current income, consistent with prudent investment risk, through investment in a diversified portfolio of debt securities. To a lesser extent, the Fund may also invest in privately placed debt securities and in certain equity securities. Capital appreciation is a secondary investment objective.

The Fund s investment policies provide that its portfolio be invested as follows: at least 75% in debt securities rated within the four highest grades, and in government securities, bank debt, commercial paper, cash or cash equivalents; up 25% in other fixed-income securities, convertible bonds, convertible preferred and preferred stock; and not more than 25% in securities restricted as to resale.

At Western Asset Management Company (Western Asset), the Fund s adviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset s senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The portfolio managers responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, S. Kenneth Leech and Ryan K. Brist.

Q. What were the overall market conditions during the Fund s reporting period?

A. During the twelve months ended December 31, 2010, the riskier segments of the fixed-income market produced strong results and outperformed U.S. Treasuries. This was due, in part, to improving economic conditions following the lengthy downturn from mid-2008 through mid-2009. Also supporting the spread sectors (non-U.S. Treasuries) was overall solid demand from investors seeking incremental yields given the low rates available from short-term fixed-income securities.

The spread sectors rallied during most of the reporting period, with notable exceptions being in late April and May 2010, as well as August and November 2010. Starting toward the end of April, there was a flight to quality, triggered by concerns regarding the escalating sovereign debt crisis in Europe. In addition, investor sentiment was negatively impacted by uncertainties surrounding financial reform legislation in the U.S. and signs that economic growth was moderating. Collectively, this caused investors to flock to the relative safety of Treasury securities, driving their yields lower and prices higher.

Robust investor risk appetite largely resumed during June and July, and again in September and October. These turnarounds occurred as the situation in Europe appeared to stabilize, the financial reform bill was signed into law and the Federal Reserve Board (Fed)i continued to indicate that it would keep short-term rates low for an extended period. Investor risk aversion briefly returned in November when

Fund overview (cont d)

fears regarding the European debt crisis re-emerged. However, investor sentiment improved in December, given expectations for strengthening economic conditions in 2011.

The yields on two- and ten-year Treasuries began the fiscal year at 1.14% and 3.85%, respectively. Treasury yields fluctuated during the twelve-month reporting period given mixed signals regarding the economy and uncertainties regarding Fed monetary policy. Yields moved sharply lower in October 2010 in anticipation of additional quantitative easing (QE2) by the Fed. Yields then reversed course toward the end of the period as certain economic data were stronger than expected and there were concerns regarding future inflation. During the fiscal year, two-year Treasury yields moved as high as 1.18% and as low as 0.33%, while ten-year Treasuries rose as high as 4.01% and fell as low as 2.41%. On December 31, 2010, yields on two- and ten-year Treasuries were 0.61% and 3.30%, respectively.

The overall credit market, as represented by the Barclays Capital U.S. Credit Index[ii] (the Index), returned 8.47% over the same period. Comparatively, riskier fixed-income securities, including high-yield bonds, produced stronger results. Over the fiscal year, the Barclays Capital U.S. High Yield 2% Issuer Cap Index[iii] returned 14.94%. During this period, as measured by the Index, lower-quality BBB-rated bonds outperformed high-quality AAA-rated securities, returning 10.03% and 5.13%, respectively.

Q. How did we respond to these changing market conditions?

A. A number of adjustments were made to the Fund s portfolio during the reporting period. The Fund maintained its lower-quality bias versus the Index, but we pared our exposure to certain BBB-rated and non-investment grade securities to capture profits and reduce our overall risk exposure. While we maintained an overweight to Financials, we decreased our exposure during the fiscal year, especially in the banking industry given its strong results. Our allocation to the Utilities sector was reduced due to our concerns for potential increases in capital expenditures to meet new Clean Air Act legislation requirements. Our allocation to the Transportation[1] sector was increased based on signs that the U.S. economy was strengthening. We also added to our exposure to the Energy sector, as we felt valuations for certain securities had become attractive in the wake of the oil spill in the Gulf of Mexico. Finally, we raised the Fund s cash position to have added flexibility to invest in attractive opportunities in the future.

The Fund employed U.S. Treasury futures during the reporting period to manage its duration[iv] and yield curve[v] positioning. Overall, the use of these derivative instruments detracted from performance during the twelve-month reporting period.

Performance review

For the twelve months ended December 31, 2010, Western Asset Income Fund returned 10.86% based on its net asset value (NAV)vi and 7.28% based on its New York Stock Exchange (NYSE) market price per

1 Transportation consists of the following industries: Airlines, Railroads and other transportation-related services.

share. The Fund s unmanaged benchmarks, the Barclays Capital U.S. Corporate High Yield Indexvii and the Barclays Capital U.S. Credit Index, returned 15.12% and 8.47%, respectively, over the same time frame. The Lipper Corporate Debt Closed-End Funds BBB-Rated Category Averageviii returned 12.90% for the same period. Please note that Lipper performance returns are based on each fund s NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling $0.79 per share. The performance table shows the Fund s twelve-month total return based on its NAV and market price as of December 31, 2010. **Past performance is no guarantee of future results.**

Performance Snapshot as of December 31, 2010

Price Per Share	**12-Month Total Return***
$13.82 (NAV)	10.86%
$12.89 (Market Price)	7.28%

All figures represent past performance and are not a guarantee of future results.

*** Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions in additional shares.**

Q. What were the leading contributors to performance?

A. Relative to the Index, the largest contributor to the Fund s performance during the reporting period was an overweight to high-yield corporate bonds. High yield was among the best-performing fixed-income sectors during the reporting period given declining default rates and solid demand from investors looking to generate incremental yield. Among the Fund s strongest high-yield holdings were overweight positions in **GMAC Inc.**, **HCA Inc.** and **Sprint Capital Corp.**

A number of individual holdings also significantly contributed to results. In particular, overweights in subordinated Financials issued by **American International Group Inc.** and **Bank of America Corp.** were among our best performers during the reporting period. Overall, these bonds rallied as confidence in the banking system improved and it became apparent that banks would be able to continue paying their coupons. In addition, the fundamentals in the banking industry were better, as capital reserves increased and corporate earnings were often better-than-expected.

The portfolio s quality biases were also additive to performance. Relative to the Index, our overweight to BBB and below-rated securities benefited from improved demand, as investors looked to receive high incremental yield given the low interest rate environment.

Our sector positioning was, overall, a positive for performance. In particular, an overweight to Financials was beneficial. During the twelve months ended December 31, 2010, Financials was the best-performing sector in the Index. Having an underweight to non-corporate bonds was also rewarded, as this portion of the Index returned 6.36% during the reporting period, whereas corporate bonds in the Index gained 9.00%.

Q. What were the leading detractors from performance?

A. Relative to the Index, the largest detractor from the Fund s performance for the period was our overweight to the relatively poor-performing Energy sector. The Energy sector lagged the

Fund overview (cont d)

overall Index given continued volatility in natural gas and oil prices, coupled with fears that relatively modest economic growth would reduce global demand for energy going forward.

A number of individual holdings also detracted from the Fund s results during the reporting period. In particular, overweights to European telecommunication companies **Telecom Italia Capital** and **Telefonica Emisiones SAU** were the largest detractors. Both companies were negatively impacted by the ongoing sovereign debt crisis in Europe.

Looking for additional information?

The Fund is traded under the symbol PAI and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XPAIX on most financial websites. *Barron s* and the *Wall Street Journal* s Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.leggmason.com/cef.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund s current NAV, market price and other information.

Thank you for your investment in Western Asset Income Fund. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund s investment goals.

Sincerely,

Western Asset Management Company

January 18, 2011

RISKS: *Bonds are subject to a variety of risks, including interest rate, credit and inflation risks. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment s price. The Fund may invest in high-yield bonds, which are rated below investment grade and carry more risk than higher-rated securities. To the extent that the Fund invests in asset-backed, mortgage-backed or mortgage-related securities, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder s risk of loss. The Fund may invest, to a limited extent, in foreign securities, including emerging markets, which are subject to additional risks. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

Portfolio holdings and breakdowns are as of December 31, 2010 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 9 through 20 for a list and percentage breakdown of the Fund s holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund s top five sector holdings (as a percentage of net assets) as of December 31, 2010 were: Corporate Bonds & Notes (93.3%), Short-Term Investments (1.5%), Preferred Stocks (1.1%), Sovereign Bonds (0.9%) and Asset-Backed Securities (0.8%). The Fund s portfolio composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

i The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

ii The Barclays Capital U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).

iii The Barclays Capital U.S. High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

iv Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

v The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

vi Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund s market price as determined by supply of and demand for the Fund s shares.

vii The Barclays Capital U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment grade debt, including corporate and non-corporate sectors. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging market countries are included. Original issue zero coupon bonds, step-up coupon structures and 144-As are also included.

viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended December 31, 2010, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 26 funds in the Fund s Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the Fund s portfolio as of December 31, 2010, and does not include derivatives such as futures contracts. The Fund s portfolio is actively managed. As a result, the composition of its portfolio holdings and sectors is subject to change at any time.

Spread duration (unaudited)

Economic Exposure December 31, 2010

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund s sectors relative to the selected benchmark sectors as of the end of the reporting period.

ABS	Asset Backed Securities
BCI	Barclays Capital U.S. Credit Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage Backed Securities
PAI	Western Asset Income Fund

Effective duration (unaudited)

Interest Rate Exposure December 31, 2010

Effective duration measures the sensitivity to changes in Treasury yields. Effective duration is quantified as the % change in price resulting from a 100 basis points change in Treasury yields. For a security with positive effective duration, an increase in Treasury yields would result in a price decline and a decline in Treasury yields would result in a price increase. This chart highlights the interest rate exposure of the Fund s portfolio relative to the selected benchmark as of the end of the reporting period.

ABS	Asset Backed Securities
BCI	Barclays Capital U.S. Credit Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage Backed Securities
PAI	Western Asset Income Fund

Schedule of investments

December 31, 2010

Western Asset Income Fund

Security	Rate	Maturity Date		Face Amount		Value
Corporate Bonds & Notes 93.3%						
Consumer Discretionary 6.8%						
Auto Components 0.1%						
BorgWarner Inc., Senior Notes	4.625%	9/15/20	$	130,000	$	***128,345***
Automobiles 0.7%						
Motors Liquidation Co., Senior Debentures	8.250%	7/15/23		2,710,000		***941,725***(a)
Hotels, Restaurants & Leisure 0.2%						
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16		180,000		***209,925***
Household Durables 0.4%						
Stanley Black & Decker Inc., Senior Notes	5.200%	9/1/40		580,000		***544,991***
Internet & Catalog Retail 0.2%						
QVC Inc., Senior Secured Notes	7.375%	10/15/20		300,000		***314,250***(b)
Media 4.5%						
Comcast Cable Holdings LLC	9.800%	2/1/12		375,000		408,162
Comcast Corp., Bonds	6.400%	5/15/38		950,000		1,015,232
Comcast Corp., Notes	6.450%	3/15/37		120,000		128,216
Comcast Corp., Senior Notes	6.950%	8/15/37		160,000		180,971
News America Inc., Senior Notes	6.550%	3/15/33		545,000		579,401
Omnicom Group Inc., Notes	6.250%	7/15/19		370,000		410,720
TCI Communications Inc.	8.750%	8/1/15		160,000		196,942
Time Warner Cable Inc., Senior Notes	8.750%	2/14/19		520,000		661,683
Time Warner Entertainment Co., LP, Senior Notes	8.375%	7/15/33		530,000		668,848
Time Warner Inc., Senior Debentures	7.700%	5/1/32		595,000		726,311
United Business Media Ltd., Notes	5.750%	11/3/20		640,000		614,438(b)
WPP Finance UK, Senior Notes	8.000%	9/15/14		180,000		207,081
Total Media						***5,798,005***
Multiline Retail 0.7%						
Macy s Retail Holdings Inc.	5.350%	3/15/12		270,000		278,775
Macy s Retail Holdings Inc., Debentures	6.650%	7/15/24		180,000		178,200
Macy s Retail Holdings Inc., Notes	5.750%	7/15/14		400,000		423,000
Total Multiline Retail						***879,975***
Total Consumer Discretionary						**8,817,216**
Consumer Staples 3.8%						
Beverages 0.3%						
Anheuser-Busch InBev Worldwide Inc., Senior Notes	5.375%	1/15/20		370,000		***400,928***
Food & Staples Retailing 1.1%						
Delhaize Group, Senior Notes	6.500%	6/15/17		290,000		328,765
Safeway Inc., Senior Notes	3.950%	8/15/20		690,000		653,396
Wal-Mart Stores Inc., Senior Notes	6.500%	8/15/37		380,000		446,442
Total Food & Staples Retailing						***1,428,603***

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2010

Western Asset Income Fund

Security	Rate	Maturity Date		Face Amount		Value
Food Products 0.3%						
Kraft Foods Inc., Senior Notes	5.375%	2/10/20	$	340,000	$	***365,931***
Tobacco 2.1%						
Lorillard Tobacco Co., Senior Notes	8.125%	6/23/19		340,000		378,328
Lorillard Tobacco Co., Senior Notes	8.125%	5/1/40		390,000		399,891
Philip Morris International Inc., Senior Notes	6.875%	3/17/14		490,000		564,634
Reynolds American Inc., Senior Notes	7.250%	6/1/12		1,360,000		1,454,309
Total Tobacco						***2,797,162***
Total Consumer Staples						**4,992,624**
Energy 13.5%						
Energy Equipment & Services 0.5%						
Baker Hughes Inc., Senior Notes	7.500%	11/15/18		370,000		463,960
Baker Hughes Inc., Senior Notes	5.125%	9/15/40		240,000		234,428
Total Energy Equipment & Services						***698,388***
Oil, Gas & Consumable Fuels 13.0%						
Anadarko Finance Co., Senior Notes	7.500%	5/1/31		465,000		514,173
Anadarko Petroleum Corp., Senior Notes	6.375%	9/15/17		35,000		38,126
Apache Corp.	6.900%	9/15/18		100,000		122,098
Apache Corp., Senior Notes	6.000%	1/15/37		190,000		208,945
BP Capital Markets PLC, Senior Notes	3.125%	10/1/15		740,000		739,492
ConocoPhillips, Notes	6.500%	2/1/39		810,000		963,173
ConocoPhillips, Senior Notes	6.000%	1/15/20		360,000		419,131
Devon Financing Corp. ULC, Debentures	7.875%	9/30/31		380,000		501,006
Duke Capital LLC, Senior Notes	6.250%	2/15/13		800,000		867,602
El Paso Corp., Medium-Term Notes	7.800%	8/1/31		2,000,000		1,989,486
Enbridge Energy Partners LP	9.875%	3/1/19		120,000		157,799
Energy Transfer Partners LP, Senior Notes	9.700%	3/15/19		170,000		219,718
Enterprise Products Operating LLC, Senior Notes	6.125%	10/15/39		320,000		333,059
EOG Resources Inc., Senior Notes	5.875%	9/15/17		540,000		612,370
Hess Corp., Notes	7.875%	10/1/29		1,180,000		1,480,924
Hess Corp., Senior Bonds	6.000%	1/15/40		300,000		314,449
Kerr-McGee Corp., Notes	6.950%	7/1/24		300,000		326,094
Kinder Morgan Energy Partners LP, Senior Notes	7.125%	3/15/12		530,000		565,401
LUKOIL International Finance BV, Bonds	6.356%	6/7/17		310,000		323,950(b)
Newfield Exploration Co., Senior Notes	6.625%	4/15/16		560,000		575,400
Pemex Project Funding Master Trust, Senior Bonds	6.625%	6/15/35		2,635,000		2,681,097
Petrobras International Finance Co., Global Notes	5.875%	3/1/18		879,000		935,975
Petroplus Finance Ltd., Senior Notes	7.000%	5/1/17		600,000		531,000(b)
Shell International Finance BV, Senior Notes	6.375%	12/15/38		250,000		296,307
Williams Cos. Inc., Debentures	7.500%	1/15/31		76,000		85,352

See Notes to Financial Statements.

Western Asset Income Fund

Security	Rate	Maturity Date		Face Amount		Value
Oil, Gas & Consumable Fuels continued						
Williams Cos. Inc., Senior Notes	8.750%	3/15/32	$	926,000	$	1,132,903
Total Oil, Gas & Consumable Fuels						***16,935,030***
Total Energy						**17,633,418**
Financials 35.0%						
Capital Markets 4.9%						
Credit Suisse AG, Subordinated Notes	5.400%	1/14/20		480,000		490,212
Goldman Sachs Capital I, Capital Securities	6.345%	2/15/34		555,000		528,832
Goldman Sachs Capital II, Junior Subordinated Bonds	5.793%	6/1/12		880,000		745,800(c)(d)
Goldman Sachs Group Inc., Senior Notes	6.000%	5/1/14		40,000		44,066
Goldman Sachs Group Inc., Senior Notes	5.375%	3/15/20		270,000		279,007
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37		640,000		654,333
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)(g)
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		80,937(a)
Lehman Brothers Holdings Inc., Subordinated Notes	6.500%	7/19/17		110,000		11(a)
Merrill Lynch & Co. Inc., Senior Notes	6.400%	8/28/17		300,000		317,181
Merrill Lynch & Co. Inc., Senior Notes, Medium-Term Notes	6.050%	8/15/12		400,000		423,560
Merrill Lynch & Co. Inc., Subordinated Notes	5.700%	5/2/17		1,000,000		1,003,361
Merrill Lynch & Co. Inc., Subordinated Notes	6.110%	1/29/37		320,000		288,856
Morgan Stanley, Medium-Term Notes	6.625%	4/1/18		100,000		108,477
Morgan Stanley, Senior Notes	6.000%	5/13/14		860,000		929,213
Morgan Stanley, Senior Notes	5.500%	7/24/20		100,000		101,027
Morgan Stanley, Subordinated Notes	4.750%	4/1/14		60,000		61,442
Total Capital Markets						***6,350,740***
Commercial Banks 8.5%						
BAC Capital Trust XIV, Junior Subordinated Notes	5.630%	3/15/12		585,000		415,467(c)(d)
Banco Mercantil del Norte SA, Subordinated Bonds	6.135%	10/13/16		750,000		770,623(b)(c)
BankAmerica Capital III, Junior Subordinated Notes	0.859%	1/15/27		215,000		152,845(c)
BankAmerica Institutional Capital A, Junior Subordinated Bonds	8.070%	12/31/26		130,000		130,813(b)
BankAmerica Institutional Capital B, Junior Subordinated Bonds	7.700%	12/31/26		480,000		480,000(b)
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21		240,000		298,862(b)

See Notes to Financial Statements.

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Schedule of investments (cont d)

December 31, 2010

Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Commercial Banks continued				
BB&T Capital Trust II, Junior Subordinated Notes	6.750%	6/7/36	$ 230,000	$ 228,134
BPCE SA, Subordinated Bonds	12.500%	9/30/19	361,000	414,912(b)(c)(d)
Commonwealth Bank of Australia, Senior Notes	5.000%	10/15/19	60,000	62,803(b)
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	1,050,000	1,078,875(b)(c)(d)
First Union Capital I, Junior Subordinated Notes	7.935%	1/15/27	420,000	432,070
Glitnir Banki HF, Notes	6.330%	7/28/11	400,000	119,000(a)(b)(e)
Glitnir Banki HF, Subordinated Bonds	7.451%	9/14/16	210,000	0(a)(b)(d)(e)(f)(g)
Glitnir Banki HF, Subordinated Notes	6.693%	6/15/16	680,000	0(a)(b)(e)(f)(g)
HBOS Capital Funding LP, Tier 1 Notes, Perpetual Bonds	6.071%	6/30/14	560,000	456,400(b)(c)(d)
HSBC Finance Capital Trust IX, Junior Subordinated Notes	5.911%	11/30/35	1,350,000	1,242,000(c)
ICICI Bank Ltd., Subordinated Bonds	6.375%	4/30/22	200,000	200,512(b)(c)
Landsbanki Islands HF	7.431%	10/19/17	730,000	0(a)(b)(d)(e)(f)(g)
Rabobank Nederland NV, Junior Subordinated Notes	11.000%	6/30/19	858,000	1,108,965(b)(c)(d)
Resona Preferred Global Securities Cayman Ltd., Junior Subordinated Bonds	7.191%	7/30/15	1,095,000	1,086,798(b)(c)(d)
Royal Bank of Scotland Group PLC, Junior Subordinated Notes, Medium-Term Notes	7.640%	9/29/17	100,000	66,500*(d)
Royal Bank of Scotland Group PLC, Senior Notes	6.400%	10/21/19	220,000	221,398
Royal Bank of Scotland Group PLC, Senior Subordinated Notes	6.375%	2/1/11	150,000	150,484
Royal Bank of Scotland Group PLC, Subordinated Notes	5.000%	11/12/13	70,000	69,128
Royal Bank of Scotland Group PLC, Subordinated Notes	5.000%	10/1/14	510,000	490,608
SunTrust Capital, Trust Preferred Securities	6.100%	12/15/36	520,000	475,800(c)
Wachovia Capital Trust III, Junior Subordinated Bonds	5.800%	3/15/11	630,000	546,525(c)(d)
Wells Fargo Capital X, Capital Securities	5.950%	12/15/36	450,000	434,369

[redacted]

See Notes to Financial Statements.

Western Asset Income Fund

Security	**Rate**	**Maturity Date**	**Face Amount**	**Value**
Consumer Finance continued				
HSBC Finance Corp., Senior Subordinated Notes	6.676%	1/15/21	$ 1,000,000	$ 1,010,281(b)
SLM Corp., Medium-Term Notes	8.000%	3/25/20	210,000	212,920
SLM Corp., Medium-Term Notes, Senior Notes	5.050%	11/14/14	130,000	124,239
SLM Corp., Medium-Term Notes, Senior Notes	5.625%	8/1/33	180,000	141,237
Total Consumer Finance				***6,116,685***
Diversified Financial Services 12.0%				
AES El Salvador Trust, Senior Notes	6.750%	2/1/16	750,000	725,560(b)
AIG SunAmerica Global Financing VI, Senior Secured Notes	6.300%	5/10/11	880,000	893,200(b)
Bank of America Corp., Notes, Preferred Securities	8.000%	1/30/18	150,000	151,170(c)(d)
Bank of America Corp., Senior Notes	7.625%	6/1/19	70,000	80,600
Bank of America Corp., Senior Notes	5.625%	7/1/20	60,000	61,170
Beaver Valley Funding Corp., Senior Secured Bonds	9.000%	6/1/17	199,000	216,379
Capital One Bank USA N.A., Senior Subordinated Notes	6.500%	6/13/13	330,000	361,337
Capital One Capital VI	8.875%	5/15/40	190,000	197,838
Citigroup Inc., Senior Notes	6.375%	8/12/14	620,000	685,228
Citigroup Inc., Senior Notes	5.500%	10/15/14	270,000	290,911
Citigroup Inc., Senior Notes	6.010%	1/15/15	210,000	230,375
Citigroup Inc., Senior Notes	8.500%	5/22/19	1,280,000	1,589,037
Citigroup Inc., Senior Notes	8.125%	7/15/39	450,000	572,462
Citigroup Inc., Subordinated Notes	6.125%	8/25/36	550,000	527,014
General Electric Capital Corp., Senior Notes	5.900%	5/13/14	1,000,000	1,106,759
General Electric Capital Corp., Senior Notes	6.000%	8/7/19	1,120,000	1,246,102
General Electric Capital Corp., Senior Notes	4.375%	9/16/20	1,060,000	1,043,206
General Electric Capital Corp., Subordinated Debentures	6.375%	11/15/67	600,000	594,000(c)
ILFC E-Capital Trust II, Bonds	6.250%	12/21/65	790,000	616,200(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	507,013
International Lease Finance Corp., Senior Secured Notes	6.500%	9/1/14	80,000	84,800(b)
JPMorgan Chase & Co., Subordinated Notes	6.125%	6/27/17	720,000	789,936
JPMorgan Chase Capital XXV, Junior Subordinated Notes	6.800%	10/1/37	1,000,000	1,031,091
UFJ Finance Aruba AEC	6.750%	7/15/13	355,000	395,862
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	1,440,000	1,416,600(b)(c)
Total Diversified Financial Services				***15,617,625***

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2010

Western Asset Income Fund

Security	**Rate**	**Maturity Date**		**Face Amount**		**Value**
Insurance 3.7%						
Allstate Corp., Junior Subordinated Debentures	6.500%	5/15/57	$	480,000	$	481,200(c)
American International Group Inc., Junior Subordinated Debentures	6.250%	3/15/37		80,000		70,748
American International Group Inc., Senior Notes	6.400%	12/15/20		90,000		94,429
ASIF Global Financing XIX	4.900%	1/17/13		30,000		30,900(b)
AXA SA, Subordinated Bonds	8.600%	12/15/30		200,000		224,105
CNA Financial Corp., Senior Notes	5.875%	8/15/20		260,000		258,875
Delphi Financial Group Inc., Senior Notes	7.875%	1/31/20		170,000		181,612
Liberty Mutual Group, Junior Subordinated Bonds	7.800%	3/15/37		300,000		295,500(b)
Liberty Mutual Group, Senior Notes	5.750%	3/15/14		270,000		280,828(b)
MetLife Inc., Junior Subordinated Debentures	6.400%	12/15/36		1,160,000		1,090,400
Prudential Financial Inc., Junior Subordinated Debentures	8.875%	6/15/38		340,000		395,250(c)
Prudential Holdings LLC, Bonds, FSA-Insured	7.245%	12/18/23		260,000		290,134(b)
Teachers Insurance & Annuity Association of America College Retirement Equity Fund, Notes	6.850%	12/16/39		400,000		468,001(b)
Travelers Cos. Inc., Senior Notes	5.350%	11/1/40		500,000		492,630
Willis North America Inc., Senior Notes	5.625%	7/15/15		230,000		241,681
Total Insurance						***4,896,293***
Real Estate Investment Trusts (REITs) 0.1%						
Digital Realty Trust LP, Senior Notes	5.875%	2/1/20		20,000		20,347
Health Care REIT Inc., Senior Notes	5.875%	5/15/15		130,000		141,677
Total Real Estate Investment Trusts (REITs)						