

Edgar Filing: Western Asset Income Fund - Form N-Q

Western Asset Income Fund
Form N-Q
November 29, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

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

Investment Company Act file number: 811-02351

Western Asset Income Fund

(Exact Name of Registrant as Specified In Its Charter)

Address of Principal Executive Offices: 385 East Colorado Boulevard

Pasadena, CA 91101

Name and address of agent for service: Charles A. Ruys de Perez
385 East Colorado Boulevard

Pasadena, CA 91101

Registrant's telephone number, including area code: (410) 539-0000

Date of fiscal year end: December 31, 2007

Date of reporting period: September 30, 2007

Item 1 Schedule of Investments

Portfolio of Investments*Western Asset Income Fund*

September 30, 2007 (Unaudited)

(Amounts in Thousands)

	Rate	Maturity Date	Par	Value
Long-Term Securities 98.2%				
Corporate Bonds and Notes 72.0%				
Aerospace and Defense 0.2%				
L-3 Communications Corp.	7.625%	6/15/12	\$ 275	\$ 281
Airlines 0.5%				
Continental Airlines Inc.	6.545%	2/2/19	170	171
Continental Airlines Inc.	7.256%	3/15/20	201	208
Delta Air Lines Inc.	7.111%	9/18/11	400	406
				785
Automobiles 6.6%				
DaimlerChrysler NA Holding Corp.	7.300%	1/15/12	245	261
Ford Motor Co.	7.450%	7/16/31	8,050	6,319 _A
General Motors Corp.	8.250%	7/15/23	3,450	3,019 _A
				9,599
Beverages 0.2%				
PepsiAmericas Inc.	5.750%	7/31/12	290	297
Building Products 0.5%				
American Standard Inc.	8.250%	6/1/09	500	526
Nortek Inc.	8.500%	9/1/14	225	195
				721
Capital Markets 5.0%				
BankAmerica Capital III	5.930%	1/15/27	215	194 _B
Goldman Sachs Capital II	5.793%	12/29/49	610	577 _C
Lehman Brothers Holdings Capital Trust VII	5.857%	11/29/49	1,360	1,296 _C
Lehman Brothers Holdings Inc.	6.500%	7/19/17	110	112
Merrill Lynch and Co. Inc.	6.050%	8/15/12	400	410
Merrill Lynch and Co. Inc.	5.700%	5/2/17	1,000	972
Merrill Lynch and Co. Inc.	6.400%	8/28/17	300	310
Merrill Lynch and Co. Inc.	6.110%	1/29/37	320	301
Morgan Stanley	5.050%	1/21/11	1,780	1,759
Morgan Stanley	4.750%	4/1/14	60	56
Morgan Stanley	6.250%	8/28/17	100	102
The Bear Stearns Cos. Inc.	5.550%	1/22/17	720	680 _A
The Goldman Sachs Group Inc.	6.345%	2/15/34	555	517
				7,286

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Chemicals 0.6%

The Dow Chemical Co.	7.375%	11/1/29	800	875
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Commercial Banks 2.7%

Comerica Capital Trust II	6.576%	2/20/37	360	325 _C
Rabobank Capital Funding Trust II	5.260%	12/31/49	115	109 _{C,D}
Rabobank Capital Funding Trust III	5.254%	12/31/16	1,145	1,054 _{C,D}
RBS Capital Trust III	5.512%	9/29/49	1,460	1,366 _C
SunTrust Capital VIII	6.100%	12/15/36	560	508 _C
Wachovia Capital Trust III	5.800%	3/15/42	200	198 _C

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	Rate	Maturity Date	Par	Value
Long-Term Securities Continued				
Corporate Bonds and Notes Continued				
Commercial Banks Continued				
Wells Fargo Capital X	5.950%	12/15/36	\$ 450	\$ 413 _C
				3,973
Commercial Services and Supplies 0.3%				
Waste Management Inc.	7.375%	5/15/29	415	445
Communications Equipment N.M.				
Motorola Inc.	7.625%	11/15/10	56	59 _A
Consumer Finance 3.0%				
American Express Co.	6.800%	9/1/66	1,120	1,148 _C
Capital One Financial Corp.	6.750%	9/15/17	230	235
GMAC LLC	8.000%	11/1/31	1,610	1,580 _A
Nelnet Inc.	7.400%	9/29/36	460	451 _C
SLM Corp.	5.000%	10/1/13	30	26
SLM Corp.	5.375%	5/15/14	780	681
SLM Corp.	5.050%	11/14/14	130	110
SLM Corp.	5.625%	8/1/33	180	139 _A
				4,370
Containers and Packaging 0.1%				
Graphic Packaging International Corp.	9.500%	8/15/13	200	206
Diversified Financial Services 8.5%				
AGFC Capital Trust I	6.000%	1/15/67	300	281 _{C,D}
AIG SunAmerica Global Financing VI	6.300%	5/10/11	1,880	1,939 _D
Bank of America Corp.	7.800%	9/15/16	250	280
Beaver Valley II Funding	9.000%	6/1/17	294	326
Capital One Bank	6.500%	6/13/13	330	334
Capital One Capital IV	6.745%	2/17/37	390	348 _{A,C}
Capmark Financial Group Inc.	5.875%	5/10/12	350	319 _{C,D}
Chase Capital II	5.856%	2/1/27	725	654 _B
Citigroup Inc.	6.125%	8/25/36	550	544
Deutsche Bank Capital Funding Trust	5.628%	1/19/49	670	623 _{C,D}
Glen Meadow Pass-Through Certificates	6.505%	2/12/67	310	298 _{C,D}
HSBC Finance Capital Trust IX	5.911%	11/30/35	1,350	1,281 _C
HSBC Finance Corp.	5.700%	6/1/11	1,730	1,744
ILFC E-Capital Trust II	6.250%	12/21/65	790	762 _{C,D}
Mizuho Preferred Capital Co. LLC	8.790%	12/29/49	110	112 _{C,D}
UBS Preferred Funding Trust V	6.243%	5/12/49	1,120	1,103 _{A,C}
ZFS Finance USA Trust II	6.450%	12/15/65	1,440	1,391 _{C,D}
				12,339
Diversified Telecommunication Services 4.1%				
AT&T Corp.	8.000%	11/15/31	440	535
Embarq Corp.	7.082%	6/1/16	330	342
Qwest Capital Funding Inc.	7.250%	2/15/11	1,150	1,156 _A
Qwest Communications International Inc.	7.500%	2/15/14	850	861
Qwest Corp.	6.875%	9/15/33	1,000	935
Verizon Global Funding Corp.	5.850%	9/15/35	570	545
Verizon New York Inc.	6.875%	4/1/12	1,540	1,622

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	Rate	Maturity Date	Par	Value
Long-Term Securities Continued				
Corporate Bonds and Notes Continued				
Electric Utilities 4.9%				
Exelon Corp.	6.750%	5/1/11	\$ 550	\$ 572
FirstEnergy Corp.	6.450%	11/15/11	60	62
FirstEnergy Corp.	7.375%	11/15/31	395	432
Pacific Gas and Electric Co.	6.050%	3/1/34	800	786
PNPP II Funding Corp.	9.120%	5/30/16	2,282	2,595 ^A
Sithe/Independence Funding Corp.	9.000%	12/30/13	1,500	1,606
Tampa Electric Co.	6.375%	8/15/12	145	150
TXU Energy Co.	6.125%	3/15/08	500	503
TXU Energy Co.	7.000%	3/15/13	370	406
				7,112
Food and Staples Retailing 0.5%				
CVS Corp.	5.750%	8/15/11	290	294
Wal-Mart Stores Inc.	6.500%	8/15/37	380	394
				688
Food Products 0.2%				
Tyson Foods Inc.	6.600%	4/1/16	340	350 ^E
Gas Utilities 0.1%				
Southern Natural Gas Co.	5.900%	4/1/17	170	165 ^D
Health Care Equipment and Supplies 0.6%				
Baxter International Inc.	5.900%	9/1/16	520	524
Hospira Inc.	6.050%	3/30/17	290	286
				810
Health Care Providers and Services 4.3%				
Aetna Inc.	5.750%	6/15/11	540	549
Cardinal Health Inc.	6.050%	10/15/16	410	404 ^D
Coventry Health Care Inc.	5.950%	3/15/17	440	425
HCA Inc.	7.875%	2/1/11	250	246
HCA Inc.	6.300%	10/1/12	180	162
HCA Inc.	6.250%	2/15/13	930	823
HCA Inc.	5.750%	3/15/14	65	54
HCA Inc.	9.125%	11/15/14	400	422 ^D
HCA Inc.	9.250%	11/15/16	500	531 ^D
Humana Inc.	6.450%	6/1/16	220	223
Tenet Healthcare Corp.	6.375%	12/1/11	1,465	1,282 ^A
Universal Health Services Inc.	7.125%	6/30/16	520	533
WellPoint Inc.	5.875%	6/15/17	540	536
				6,190
Hotels, Restaurants and Leisure 0.2%				
Caesars Entertainment Inc.	8.125%	5/15/11	250	255
Household Durables 0.5%				
DR Horton Inc.	5.250%	2/15/15	410	343
Pulte Homes Inc.	6.250%	2/15/13	145	129

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The Black and Decker Corp.

5.750%

11/15/16

290

284

756

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	Rate	Maturity Date	Par	Value
Long-Term Securities Continued				
Corporate Bonds and Notes Continued				
Independent Power Producers and Energy Traders 1.7%				
Dynegy Holdings Inc.	6.875%	4/1/11	\$ 1,300	\$ 1,277 _A
Dynegy Holdings Inc.	8.750%	2/15/12	735	759 _A
The AES Corp.	9.500%	6/1/09	39	41
TXU Corp.	6.500%	11/15/24	520	417
				2,494
Insurance 3.4%				
Ace Ina Holdings Inc.	5.700%	2/15/17	240	237
Allstate Corp.	6.500%	5/15/37	480	463 _{A,C}
American International Group Inc.	5.450%	5/18/17	180	175
American International Group Inc.	6.250%	3/15/37	80	75 _C
ASIF Global Financing XIX	4.900%	1/17/13	30	29 _D
Everest Reinsurance Holdings Inc.	6.600%	5/15/37	260	241 _C
Liberty Mutual Group	5.750%	3/15/14	270	264 _D
Liberty Mutual Group	7.800%	3/15/37	300	292 _D
MetLife Inc.	6.400%	12/15/36	1,160	1,103 _C
Prudential Financial Inc.	5.700%	12/14/36	340	313
The Chubb Corp.	6.375%	3/29/67	320	318 _C
The Travelers Cos. Inc.	6.250%	3/15/37	620	600 _C
The Travelers Cos. Inc.	6.250%	6/15/37	280	270
Willis North America Inc.	5.125%	7/15/10	280	277
Willis North America Inc.	5.625%	7/15/15	230	219 _A
				4,876
IT Services 0.7%				
Electronic Data Systems Corp.	7.125%	10/15/09	600	611
Electronic Data Systems Corp.	7.450%	10/15/29	420	425
				1,036
Leisure Equipment and Products 0.2%				
Hasbro Inc.	6.300%	9/15/17	320	319 _E
Media 3.4%				
AMFM Inc.	8.000%	11/1/08	210	213
Clear Channel Communications Inc.	5.500%	9/15/14	365	287
Comcast Cable Holdings LLC	9.800%	2/1/12	375	434
Comcast Corp.	7.050%	3/15/33	160	169
Comcast Corp.	6.450%	3/15/37	380	375
Cox Communications Inc.	4.625%	1/15/10	510	504
Liberty Media LLC	8.500%	7/15/29	130	131
Liberty Media LLC	8.250%	2/1/30	65	64 _A
News America Inc.	6.550%	3/15/33	545	537
TCI Communications Inc.	8.750%	8/1/15	160	185
Time Warner Entertainment Co. LP	8.375%	7/15/33	530	622
Time Warner Inc.	9.125%	1/15/13	240	275
Time Warner Inc.	7.700%	5/1/32	595	653
Viacom Inc.	5.625%	8/15/12	520	518
				4,967
Metals and Mining 1.3%				

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Freeport-McMoRan Copper & Gold Inc.	8.375%	4/1/17	1,730	1,890
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	Rate	Maturity Date	Par	Value
Long-Term Securities Continued				
Corporate Bonds and Notes Continued				
Multi-Utilities 1.1%				
Centerpoint Energy Inc.	6.850%	6/1/15	\$ 1,150	\$ 1,200
DTE Energy Co.	6.375%	4/15/33	330	331 _A
				1,531
Multiline Retail 0.7%				
Federated Retail Holdings Inc.	5.350%	3/15/12	110	108
Macy's Retail Holdings Inc.	5.875%	1/15/13	330	328
May Department Stores Co.	5.750%	7/15/14	400	387
May Department Stores Co.	6.650%	7/15/24	180	169
				992
Oil, Gas and Consumable Fuels 8.8%				
Apache Corp.	6.000%	1/15/37	230	221
DCP Midstream LLC	6.750%	9/15/37	420	417 _D
Devon Financing Corp. ULC	7.875%	9/30/31	350	413
Duke Capital LLC	6.250%	2/15/13	1,200	1,226
El Paso Corp.	7.800%	8/1/31	2,000	2,031
EOG Resources Inc.	5.875%	9/15/17	540	540
Hess Corp.	7.875%	10/1/29	1,450	1,667
Kerr-McGee Corp.	6.950%	7/1/24	300	311
Kerr-McGee Corp.	7.875%	9/15/31	1,225	1,416
Kinder Morgan Energy Partners LP	7.125%	3/15/12	530	559
Occidental Petroleum Corp.	6.750%	1/15/12	500	529
Peabody Energy Corp.	6.875%	3/15/13	285	288
Pemex Project Funding Master Trust	6.625%	6/15/35	1,150	1,185 _A
The Williams Cos. Inc.	7.500%	1/15/31	102	106
The Williams Cos. Inc.	8.750%	3/15/32	1,250	1,439
XTO Energy Inc.	6.100%	4/1/36	440	426
				12,774
Paper and Forest Products 0.6%				
Georgia-Pacific Corp.	9.500%	12/1/11	325	343
Georgia-Pacific Corp.	7.375%	12/1/25	250	232 _A
Weyerhaeuser Co.	6.750%	3/15/12	235	244
				819
Pharmaceuticals 0.6%				
Wyeth	6.950%	3/15/11	680	713 _E
Wyeth	5.950%	4/1/37	170	164
				877
Real Estate Investment Trusts 0.5%				
Health Care REIT Inc.	5.875%	5/15/15	130	124 _A
iStar Financial Inc.	5.950%	10/15/13	590	554
				678
Real Estate Management and Development 0.2%				

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Forest City Enterprises Inc.	7.625%	6/1/15	225	212
Socgen Real Estate Co. LLC	7.640%	12/29/49	80	80 _{C,D}
				292

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	Rate	Maturity Date	Par	Value
Long-Term Securities Continued				
Corporate Bonds and Notes Continued				
Thriffs and Mortgage Finance 2.9%				
BB&T Capital Trust II	6.750%	6/7/36	\$ 640	\$ 656
Countrywide Financial Corp.	5.800%	6/7/12	950	891
Countrywide Home Loans Inc.	4.250%	12/19/07	250	247 _A
Residential Capital LLC	8.190%	4/17/09	1,420	994 _{B,D}
Residential Capital LLC	6.000%	2/22/11	1,350	1,100
Residential Capital LLC	7.500%	6/1/12	420	340 _E
				4,228
Tobacco 1.1%				
Altria Group Inc.	7.000%	11/4/13	185	201
Reynolds American Inc.	7.250%	6/1/12	1,360	1,442
				1,643
Wireless Telecommunication Services 1.2%				
New Cingular Wireless Services Inc.	8.750%	3/1/31	475	601
Nextel Communications Inc.	5.950%	3/15/14	88	84
Nextel Communications Inc.	7.375%	8/1/15	285	290
Sprint Capital Corp.	6.900%	5/1/19	330	331
Sprint Capital Corp.	8.750%	3/15/32	340	390
				1,696
Total Corporate Bonds and Notes (Cost \$ 103,385)				104,670
Mortgage-Backed Securities 0.8%				
Variable Rate Securities^F 0.8%				
Thornburg Mortgage Securities Trust 2007-4 2A1	6.240%	9/25/37	586	588
Thornburg Mortgage Securities Trust 2007-4 3A1	6.228%	9/25/37	537	532
Total Mortgage-Backed Securities (Cost \$ 1,113)				1,120
U.S. Government and Agency Obligations 0.5%				
Fixed Rate Securities 0.5%				
United States Treasury Notes	4.500%	4/30/12	700	709 _A
Total U.S. Government and Agency Obligations (Cost \$693)				709
U.S. Government Agency Mortgage-Backed Securities N.M.				
Fixed Rate Securities N.M.				
Freddie Mac	10.250%	5/1/09	5	5
Total U.S. Government Agency Mortgage-Backed Securities (Cost \$ 5)				5
Yankee Bonds^G 24.9%				
Aerospace and Defense 0.3%				
Systems 2001 Asset Trust	6.664%	9/15/13	402	424 _D
Capital Markets 0.2%				
Deutsche Bank AG	6.000%	9/1/17	330	334

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Commercial Banks 9.8%					
AES El Salvador Trust	6.750%	2/1/16	750	737 _D	
ATF Capital BV	9.250%	2/21/14	810	825 _D	
Banco Mercantil del Norte SA	6.135%	10/13/16	750	746 _{C,D}	
Barclays Bank PLC	7.434%	9/29/49	560	595 _{C,D}	

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	Rate	Maturity Date	Par	Value
Long-Term Securities Continued				
Yankee Bonds Continued				
Commercial Banks Continued				
Glitnir Banki Hf	6.330%	7/28/11	\$ 400	\$ 407 _D
Glitnir Banki Hf	6.693%	6/15/16	680	695 _{C,D}
Glitnir Banki Hf	7.451%	12/14/49	210	207 _{A,C,D}
HBOS Capital Funding LP	6.071%	6/30/49	560	539 _{C,D}
HSBK Europe BV	7.250%	5/3/17	490	442 _D
ICICI Bank Ltd.	6.375%	4/30/22	100	94 _{C,D}
ICICI Bank Ltd.	6.375%	4/30/22	200	187 _{C,D}
Kaupthing Bank Hf	6.050%	4/12/11	540	536 _{B,D}
Kaupthing Bank Hf	5.750%	10/4/11	480	474 _D
Kaupthing Bank Hf	7.125%	5/19/16	1,250	1,262 _D
Mizuho Financial Group	5.790%	4/15/14	1,100	1,091 _D
Resona Preferred Global Securities	7.191%	12/29/49	1,035	1,039 _{C,D}
Royal Bank of Scotland Group PLC	7.640%	3/17/49	100	100 _C
RSHB Capital SA	7.175%	5/16/13	1,340	1,365 _D
RSHB Capital SA	6.299%	5/15/17	380	358 _D
Shinsei Finance Cayman Ltd.	6.418%	1/29/49	1,210	1,122 _{C,D}
Sumitomo Mitsui Banking Corp.	5.625%	12/31/49	270	251 _{C,D}
TuranAlem Finance BV	8.250%	1/22/37	740	625 _D
VTB Capital SA for Vneshtorgbank	5.956%	8/1/08	560	554 _{B,D}
				14,251
Consumer Finance 0.8%				
Aiful Corp.	6.000%	12/12/11	1,095	1,076 _D
Diversified Financial Services 1.3%				
Lukoil International Finance BV	6.356%	6/7/17	310	295 _D
Petroplus Finance Ltd.	7.000%	5/1/17	600	570 _D
SMFG Preferred Capital	6.078%	1/29/49	380	351 _{C,D}
TNK-BP Finance SA	7.500%	7/18/16	360	358 _D
UFJ Finance Aruba AEC	6.750%	7/15/13	355	367
				1,941
Diversified Telecommunication Services 2.5%				
British Telecommunications PLC	9.125%	12/15/30	330	437 _E
Deutsche Telekom International Finance BV	5.750%	3/23/16	160	158 _{A,E}
Deutsche Telekom International Finance BV	8.250%	6/15/30	500	612 _E
France Telecom SA	8.500%	3/1/31	560	720
Koninklijke (Royal) KPN NV	8.375%	10/1/30	240	277
Telecom Italia Capital	7.200%	7/18/36	760	804
Telefonica Emisiones S.A.U.	7.045%	6/20/36	600	639
				3,647
Electric Utilities 0.6%				
Enersis SA	7.375%	1/15/14	317	336
Enersis SA/Cayman Island	7.400%	12/1/16	452	487
				823
Food and Staples Retailing 0.2%				
Delhaize Group	6.500%	6/15/17	290	292 _D

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Foreign Governments 2.7%

Federative Republic of Brazil	7.125%	1/20/37	81	90 _A
Federative Republic of Brazil	11.000%	8/17/40	177	237 _A

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	Rate	Maturity Date	Par	Value
Long-Term Securities Continued				
Yankee Bonds Continued				
Foreign Governments Continued				
Quebec Province	7.970%	7/22/36	\$ 650	\$ 886
Republic of Colombia	7.375%	9/18/37	100	110
Republic of Panama	7.125%	1/29/26	88	95 _A
Republic of Panama	9.375%	4/1/29	14	19
Republic of Panama	6.700%	1/26/36	181	186 _A
Russian Federation	7.500%	3/31/30	271	305 _D
United Mexican States	6.750%	9/27/34	1,825	1,985 _A
				3,913
Gas Utilities 0.2%				
Intergas Finance BV	6.375%	5/14/17	270	261 _D
Industrial Conglomerates 1.0%				
Tyco International Group SA	6.375%	10/15/11	1,450	1,484
Insurance 0.6%				
Axa	8.600%	12/15/30	550	655
XL Capital Ltd.	5.250%	9/15/14	250	239
				894
Media 0.2%				
Rogers Cable Inc.	6.250%	6/15/13	250	253
Metals and Mining 0.8%				
Vale Overseas Ltd.	6.875%	11/21/36	1,148	1,183
Oil, Gas and Consumable Fuels 3.5%				
Anadarko Finance Co.	7.500%	5/1/31	130	142
Gazprom	9.625%	3/1/13	50	58 _{A,D}
Gazprom	9.625%	3/1/13	20	23 _D
Gazprom	6.212%	11/22/16	450	446 _D
Gazprom	6.510%	3/7/22	400	396 _D
Petrobras International Finance Co.	6.125%	10/6/16	825	831
Petrozuata Finance Inc.	8.220%	4/1/17	3,205	3,197 _D
				5,093
Wireless Telecommunication Services 0.2%				
Rogers Wireless Inc.	6.375%	3/1/14	300	303
Total Yankee Bonds (Cost \$ 35,590)				36,172
Total Long-Term Securities (Cost \$ 140,786)				142,676
Investment of Collateral From Securities Lending 13.0%				
State Street Navigator Securities Lending Prime Portfolio			18,924(shs)	18,924
Total Investment of Collateral From Securities Lending (Cost \$ 18,924)				18,924

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Total Investments	111.2% (Cost \$ 159,710)	161,600
Obligation to Return Collateral For Securities Loaned	(13.0)%	(18,924)
Other Assets Less Liabilities	1.8%	2,581
Net Assets	100.0%	\$ 145,257

N.M. Not Meaningful.

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- A All or a portion of this security is on loan.
- B Indexed Security The rates of interest earned on these securities are tied to the London Interbank Offered Rate (LIBOR), the Euro Interbank Offered Rate (EURIBOR) Index, the Consumer Price Index (CPI), the one-year Treasury Bill Rate or the ten-year Japanese Government Bond Rate. The coupon rates are the rates as of September 30, 2007.
- C Stepped Coupon Security A security with a predetermined schedule of interest or dividend rate changes at which time it begins to accrue interest or pay dividends according to the predetermined schedule.
- D Rule 144a Security A security purchased pursuant to Rule 144a under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities, which the Fund's investment adviser has determined to be liquid, represent 22.50% of net assets.
- E Credit Linked Security The rates of interest earned on these securities are tied to the credit rating assigned by Standard & Poor's Rating Service and/or Moody's Investors Services.
- F The coupon rates shown on variable rate securities are the rates at September 30, 2007. These rates vary with the weighted average coupon of the underlying loans.
- G Yankee Bond A dollar-denominated bond issued in the U.S. by foreign entities.
- H Aggregate cost for federal income tax purposes is substantially the same as book cost. At September 30, 2007, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 4,878
Gross unrealized depreciation	(2,988)
Net unrealized appreciation	\$ 1,890

Security Valuation

The Fund's securities are valued on the basis of readily available market quotations or, lacking such quotations, at fair value as determined under policies approved by and under the general oversight of the Board of Directors. In determining fair value, all relevant qualitative and quantitative factors available are considered. These factors are subject to change over time and are reviewed periodically. The Fund may use fair value pricing instead of market quotations to value one or more securities if the Fund believes that, because of special circumstances, doing so would more accurately reflect the prices the Fund expects to realize on the current sale of those securities. Further, because of the inherent uncertainty of valuation, those estimated values may differ significantly from quoted or published values or from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Securities Lending

The Fund may lend its securities to approved brokers to earn additional income, and will receive cash and U.S. government securities as collateral against the loans. Cash collateral received is invested in a money market pooled account by the Fund's lending agent. Collateral is maintained over the life of the loan in an amount not less than 100% of the value of the loaned securities.

At September 30, 2007, the market value of the securities on loan to broker-dealers was \$18,530 for which the fund received collateral of \$18,924 in cash. Such collateral is in the possession of the Fund's custodian. The cash invested in the State Street Navigator Securities Lending Prime Portfolio is included in the Fund's portfolio of investments. As with other extensions of credit, the Fund may bear the risk of delay in

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recovery or even loss of rights to the collateral should the borrower of the securities fail financially.

Other information regarding the Fund is available in the Fund's most recent Report to Shareholders. This information is available on the Securities and Exchange Commission's website (www.sec.gov).

Item 2 Controls and Procedures

- (a) Western Asset Income Fund (the Registrant) principal executive and principal financial officers have concluded, based on their evaluation of the Registrant s disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant s disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the required time periods in the Securities and Exchange Commission s rules and forms and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-Q is accumulated and communicated to the Registrant s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

- (b) There were no changes in the Registrant s internal control over financial reporting during the Registrant s last fiscal quarter that have materially affected, or are reasonably 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 filed as an exhibit hereto.

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
Western Asset Income Fund
Date: November 27, 2007

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
Western Asset Income Fund
Date: November 27, 2007

By: /s/ Marie K. Karpinski
Marie K. Karpinski
Principal Financial and Accounting Officer
Western Asset Income Fund
Date: November 20, 2007