SimplePons, Inc.
Form 10-K/A
June 18, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

or

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________________ to __________________________
Commission file number: 000-21134

SIMPLEPONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-2893483
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

220 Congress Park Drive, Suite 304, Delray Beach, FL	33445
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 561-330-3500

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	Not applicable

Securities registered under Section 12(g) of the Act:

Common Stock, par value $0.01 per share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

o Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.4.05 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer	£	Accelerated filer	£
Non-accelerated filer	£	Smaller reporting company	S

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

o Yes x No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Approximately $0 on June 30, 2011

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 77,590,870 shares of common stock are issued and outstanding as of March 23, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

Explanatory paragraph:

SimplePons, Inc. is filing this Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2011 to revise certain disclosure regarding the number of outstanding warrants and the exercise prices of those warrants in Part I. Item 1A. Risk Factors, Part II. Item 5. Market Price for Common Stock and Related Stockholder Matters, Part III. Item 12. Security Ownership of Certain Beneficial Owners and Management and Related

Shareholder Matters, and Notes 1(I) and 7 of the Notes to Consolidated Financial Statements contained therein. These revisions did not result in any change in our consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011 as previously filed. This Form 10-K/A (Amendment No. 1) also contains currently dated certifications as Exhibits 31.1, 31.2, 32.1 and 32.2 hereof. The remaining Items in this Form 10-K/A (Amendment No. 1) consist of all other items originally contained in our Annual Report on Form 10-K for the year ended December 31, 2011 as filed on March 29, 2012.

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SIMPLEPONS, INC.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about our:

- limited operating history,
- ability to continue as a going concern,
- history of losses and need to raise additional capital,
- ability to retain and add merchants,
- ability to effectively compete,
- ability to manage the growth of our company,
- potential infringement of intellectual property rights of others,
- limited trading market for our common stock and the applicability of the penny stock rules, and
- ability to use the anti-takeover provisions of our articles and bylaws.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in Item A. Risk Factors. Other sections of this report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms “SimplePons", "we"", "our", the "Company" and similar terms refer to SimplePons, Inc., a Delaware corporation, and our wholly-owned subsidiary

SimplePons Operations, Inc., a Delaware corporation (“SimplePons Operations”). In addition, when used herein and unless specifically set forth to the contrary, “2011” refers to the year ended December 31, 2011, “2010” refers to the year ended December 31, 2010, and “2012” refers to the year ending December 31, 2012.

The information which appears on our website at www.simplepons.com is not part of this report.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Overview

SimplePons™ is a subscription-based e-commerce smartphone application (app), and savings deal book that offers consumers goods and services at substantially discounted prices, as well as buy one get one free offers (“BOGO”) from local and national merchants. SimplePons’ subscribers gain access to coupons offering savings that can be used throughout the calendar year at participating merchants and businesses in specific geographic regions, which we refer to as “geo territories”.

Our business model leverages a traditional printed coupon book with a smartphone app that provides mobile access to all the discount coupons in our savings deal book. We believe the future to be in such mobile technology due to our belief of increased consumer sophistication, price efficiencies and superior ease of use. We believe the geo-location feature of our smartphone app enables subscribers to quickly search for available savings deal locations. Visitors and subscribers are able to browse and buy the SimplePons’ electronic deals for their smartphone app or SimplePons savings deal books from our website at www.simplepons.com.

We believe we offer our subscribers a unique value proposition: the subscriber can recoup the entire cost of the app or savings deal book typically after using one or two coupons and can thereafter enjoy additional savings. Furthermore, unlike traditional printed coupon books, our app subscribers enjoy the benefit of having their coupon book available through their smartphones.

We believe in forming strong, long-term relationships with our merchant partners, as we believe we offer a more merchant-friendly solution, a better value proposition, and ultimately, a superior return on promotional investment to merchants than daily deal competitors as we neither share in the revenue nor charge a fee for participation. Given our emphasis on technology, we will assist them in understanding their business and customers, resulting in what we believe will be strong year-over-year merchant retention and better promotions.

The SimplePons deal book retails in two formats: traditional print format and an electronic format available as a smartphone app downloadable from the iTunes App Store. We are initially focusing on direct sales in connection with fundraising activities by schools, youth groups, sports teams and religious organizations. In the future, subject to, among other factors, sufficient available funds, we may explore and utilize multiple channels.

Our operating subsidiary was formed in February 2011 and through September 30, 2011 it was a development stage company. During the third quarter of 2011 we launched the beta version of our website at www.simplepons.com and completed our first smartphone app for the iPhone. We are developing additional mobile applications for use on Android smartphones, which we anticipate to be completed and available during the second quarter of 2012.

Our Strategy

Our objective is to combine leading edge communication technology with a traditional, time-proven business model – discount coupons – and become a key promotional tool to drive customers to merchants' doors.

Key elements of our strategy include the following, all of which are subject to availability of sufficient working capital:

- *Establish a world-class technology platform.* To build continuous value for our subscribers and merchants, we expect to invest significantly in developing a highly defensible, flexible and robust platform that can better target promotions and increase redemption and subscription rates whilst providing valuable marketing information to merchants.

• *Grow our subscriber base*. Our goal is to acquire and retain subscribers by delivering value, convenience and savings. We plan to invest in subscriber acquisition via various online marketing initiatives such as keyword search marketing, viral marketing, email, and social media sites such as Facebook and Twitter. In addition, we believe that our unique value proposition will further drive subscriber growth by word-of-mouth promotion.

• *Grow the number of merchants we feature*. To drive merchant growth we expect to make investments in our sales force, building merchant relationships and local expertise. As of the end of March 2012, we have in excess of 1,400 merchants.

• *Increase the number and variety of our products we offer*. We expect to launch a variety of new products in the next 12 months designed to increase the average revenue per subscriber, such as targeted or market-specific coupon books. Additionally, we intend to offer “super deals” that are a “daily deal” style component with exceptional limited time offers.

• *Increase the number of markets we serve*. Our initial geographic focus has been Florida and we are currently within 14 geo territories including Florida, Indiana, Virginia and South Carolina. Based upon our internal research, we believe there are approximately 175 additional geo territories nationwide with demographics favorable to our business model. We expect to continue to expand our geo territories over the next 12 months.

• *Develop multiple sales channels*. Historically, community and charitable organizations have been a primary distribution channel for printed discount coupon books. Our virtual fundraising platform enables these organizations to conduct entire fundraising campaigns electronically, thus eliminating the need for door to door selling, physical coupon books, counting orders and collecting cash or checks. We will seek to partner with affiliates who will display, promote and distribute our subscription based smartphone app to their users in exchange for a share of the revenue generated from sales of our smartphone app. We will also explore brick and mortar cross-promotion, private label bundles and corporate partnerships to derive sales.

The Market

The coupon industry is large, growing and has attractive consumer demographics: Over 3 billion coupons were redeemed in the U.S. in 2010 as 40% of consumers used more coupons in 2010 than 2009. Mobile coupon redemptions are projected to reach $2.4 billion by 2013. Based upon our internal research, over 40% of coupon "enthusiast" households have combined annual incomes exceeding $70,000.

SimplePons - our smartphone app and savings deal book

The smartphone app and deal book include coupons for fine and casual dining, fast food restaurants as well as recreational activities and entertainment venues contained within a specific geo territory. All our coupons offer significant value: typically 50% off or buy-one-get-one free. We do not include the type of "junk" coupons consumers might receive via third class mail. Our goal is to have in excess of 100 merchants with more than 300 deals in each geo territory to provide true value to our subscribers.

Ours is a subscription-based revenue model, with no charge to merchants, wherein we sell our territory-specific app or deal book, typically for $20 per year. We also have the ability to upsell subscribers multiple ways, including new geo territories, customized books and super deals.

Subject to the availability of sufficient working capital, over the next 12 months we intend to invest in several product enhancements, including: subscriber profile creation (e.g. listing of favorites); affiliate link generators, and widget generators to track sales.

Markets Served

SimplePons is presently geographically concentrated within the State of Florida, serving 14 geo territories, which we expect to expand to 30 by the end of second quarter 2012. In February 2012 we opened our first geo-territory outside Florida in northwest Indiana and Hampton Roads, VA.

Our Merchants

SimplePons targets local and national merchants for each geo territory. Merchants are obtained through a combination of direct sales and telemarketing. Our merchant agreements detail the terms of all coupons or discounts offered for a specific period of time which is generally one year.

To date, we have agreements with in excess of 1,400 merchants, including local businesses and regional and national chains such as Burger King, Jiffy Lube, Carvel, Omaha Steaks, and Honey Baked Ham. To date, our deal books comprise approximately 90% local merchants and approximately 10% regional and national merchants. We expect this mix to evolve as we gain a national footprint and develop our technology to provide better feedback to merchants regarding their customers and couponing initiatives. We believe that a strong base of national merchants will assist us to accelerate our growth by providing a foundation for rapid expansion into new geo territories.

Competition

The keystone of our strategy is to continue developing and refining our technology. We employ technology to improve the experience we offer to subscribers and merchants, and enhance the efficiency of our business operations.

We believe that our major competitors include Entertainment Promotions and Enjoy the City in the printed discount coupon sector and Groupon and Living Social from the daily deal sector. We believe we will have significant advantages over our competition, such as low customer acquisition costs, steady revenue stream from a subscription renewal model, higher merchant and subscriber retention and due to our technological focus, substantial potential to develop a sustainable and profitable business model. Most of our competitors, however, are well-established companies that have substantially greater brand recognition and financial resources than we have. There are no assurances we will ever effectively compete in our target market.

Intellectual property

We regard our domain name, trademarks, trade secrets and similar intellectual property as valuable to our business, and rely on trademark and copyright law, trade secret protection and confidentiality or license agreements with our employees, partners and others to protect our proprietary rights. We have applied for federal trademark on SimplePons™.

We own the rights to the domain name www.simplepons.com. However, as with phone numbers, we do not have and cannot acquire any property rights in an Internet address. The regulation of domain names in the United States and in other countries is also subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we might not be able to maintain our domain names or obtain comparable domain names, which could harm our business.

There can be no assurance that the steps taken by us will be adequate to prevent misappropriation or infringement of our proprietary property.

Regulation

We are subject to a number of domestic laws and regulations that affect companies conducting business on the Internet, many of which are still evolving and could be interpreted in ways that could harm our business. In the United States, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims. These regulations and laws may involve taxation, tariffs, subscriber privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Accordingly, adverse legal or regulatory developments could substantially harm our business.

Many states have passed laws requiring notification to subscribers when there is a security breach of personal data. There are also a number of legislative proposals pending before the U.S. Congress and various state legislative bodies concerning data protection. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business. Furthermore, the Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for linking to third-party websites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

We are or may be subject to similar laws and regulations in jurisdictions outside of the United States.

Employees

In addition to our four executive officers, at March 22, 2012, we had 19 full time employees.

Consultants

In an effort to contain our initial operating expenses while gaining access to the specialized services we need to rapidly grow our company, we expect to rely heavily on outside consultants to provide us with a wide range of expertise. Our current consulting arrangements include:

• In May 2011 SimplePons Operations hired Grip'd LLC, a software development firm, to provide a comprehensive menu of services to us, including the development of our smartphone app and our website. We chose to outsource these tasks as opposed to hiring a full time software developer to maintain low overhead while availing our company of the services of a successful developer with experience in creating the latest in technology-based applications.

• In May 2011 SimplePons Operations entered into a one year agreement with Brainard Ventures LLC to provide us with management consulting, business advisory, strategic planning and investor relations services. As compensation, we paid this firm $100,000 and issued it 4,000,000 shares of SimplePons' common stock valued at $200,000. On February 3, 2012, the Company agreed to amend a May 18, 2011 consulting agreement to pay the consultant an additional $30,000.

• In August 2011 SimplePons Operations entered into a two year consulting agreement with Mr. Emilio DiSanluciano to provide a variety of services to us, including industry analysis, identifying and introducing potential strategic partners to our company, evaluations of competitors and development of strategies to increase our competitiveness and advice on effective management of relationships with investment banking firms. As compensation for these services, SimplePons Operations issued Mr. DiSanluciano 4,000,000 shares of our common stock valued at $200,000. Mr. DiSanluciano, an investor in SimplePons Operations, is a principal of Felix Investments, LLC, a boutique venture capital broker dealer. In February 2012 we engaged Felix Investments, LLC to serve as our exclusive financial advisor under the terms of a one year agreement.

• In August 2011 SimplePons Operations also entered into a two year consulting agreement with Mr. Herb Tabin to provide advice to us regarding the continuing strategic analysis of our business objectives and balancing these objectives with the expectations of the financial markets, the preparation and implementation of a strategic plan for our company, with a view towards enabling us to achieve our financial goals, the development and implementation of a "going public" transaction which results with our company becoming quoted on the OTCBB and in-depth consultations with our senior management to determine the amount and structure of the capital sought by us. As compensation for these services, SimplePons issued Mr. Tabin, an early stage investor in SimplePons Operations, 2,000,000 shares of our common stock valued at $100,000.

Our History

From our incorporation in 1985 through 1999, we operated under the name Procept, Inc., as a biotechnology company engaged in the development and commercialization of novel drugs with a product portfolio focused on infectious diseases and oncology. During fiscal 2000, we closed our research facilities and out-licensed products which had been under development by us for several years.

In January 2000, we acquired Heaven's Door Corporation, a company that provided products and services over the Internet. Effective with the acquisition of Heaven's Door, our name was changed from Procept, Inc. to HeavenlyDoor.com, Inc. At the same time, Procept, Inc. became the new name of our subsidiary, Pacific Pharmaceuticals, Inc., a company engaged in the development of cancer therapies, which we acquired in March 1999. After a sustained period of deterioration in the Internet and technology sectors and related capital markets, we decided, in the fourth quarter of 2000, to discontinue the pursuit of our Internet strategy. Shortly thereafter, we entered into an agreement to sell all of our Web-based assets and Internet operations and ceased our Internet activities. In connection with this agreement, we changed our name, on December 31, 2000, from HeavenlyDoor.com, Inc. to Paligent Inc.

From 2001 until the transaction with IFLC, we were a shell company as that term is defined in the Securities Act.

On November 29, 2006, we acquired IFLC, then known as International Fight League, Inc., a privately held Delaware corporation, pursuant to an agreement and plan of merger, dated as of August 25, 2006, by and among us, our wholly owned subsidiary, and IFLC. Immediately following the merger, we changed our name to International Fight League, Inc. and continued to operate the business of organizing and promoting a mixed martial arts sports league under the name "International Fight League." We discontinued our operations during the quarter ended September 30, 2008, and on September 15, 2008, our wholly-owned subsidiary, IFLC, through which we conducted our operations and which held substantially all of our assets, voluntarily filed a petition for reorganization relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. IFLC's bankruptcy case is docketed as *In re IFL Corp.*, Case No. 08-13589 (MG).

On November 17, 2008, IFLC sold substantially all of its assets to HD Net for $650,000 in cash plus the assumption of certain of IFLC's obligations, pursuant to a sale under Section 363 of the Bankruptcy Code which was approved by the Court on October 28, 2008. In connection with the sale of substantially all of our assets to HD Net, the assets sold included the name "International Fight League," our corporate name. After confirmation of the plan filed with the bankruptcy court and the sale to HD Net, we had no ongoing business operations. Upon the closing of this transaction, we became a "shell company" as that term is defined under federal securities laws.

On January 11, 2010, Insurance Marketing Solutions LLC purchased 730,941 shares of our Series A Convertible Preferred Stock pursuant to the terms of a Series A Preferred Stock Purchase Agreement. The Series A Preferred Stock was convertible into an aggregate of 1,827,353, shares of our common stock. This transaction resulted in a change of control of our company. All shares of our Series A Preferred Stock have subsequently been converted into common stock.

In November 2011 we acquired SimplePons Operations in a reverse merger. At closing, in exchange for all of the issued and outstanding capital stock of SimplePons Operations we issued the holders of those shares 74,910,000 shares of the our common stock, which, after giving effect to the stock repurchase described below, represented approximately 97.4% of our outstanding common stock. At closing, we also issued the SimplePons Operations' stockholders who were also warrant holders common stock purchase warrants to purchase 20,010,000 shares of our common stock at an exercise price of $0.25 per share in exchange for identical three year warrants to purchase SimplePons Operations' common stock which were held by the warrant holders immediately prior to closing. Upon the closing of the reverse merger, our sole officer and director resigned and simultaneously with the reverse merger a new board of directors and new officers were appointed. In connection with the reverse merger, we exited shell status and our business and operations are now those of SimplePons Operations entered into a stock repurchase agreement with our then principal stockholder and an affiliate of our then sole officer and director, pursuant to which SimplePons Operations purchased 2,024,706 shares of our common stock for $335,000. Following such purchase, these shares were cancelled and returned to the status of authorized but unissued shares of our common stock. Concurrent with the closing of the reverse merger, we exited shell status and our business and operations are now those of SimplePons Operations.

In December 2011, we changed our name to SimplePons, Inc. In December 2011, we also effected a forward stock split of all of the outstanding shares of our common stock at a ratio of two for one (2:1).

ITEM 1.A RISK FACTORS.

Before you invest in our securities, you should be aware that there are various risks. You should consider carefully these risk factors, together with all of the other information included in this annual report before you decide to purchase our securities. If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially adversely affected.

Risks Related to Our Business

We are an early stage company with a very limited operating history on which to evaluate our business or base an investment decision.

Our business prospects are difficult to predict because of our early stage of development, our unproven business strategy and our unproven product. We have generated minimal revenue since the inception of SimplePons Operations in February 2011. We face numerous risks and uncertainties in implementing our business plan. In particular, we have not proven that we can:

- develop our product offering in a manner that enables us to generate significant and consistent revenue, be profitable and/or meet our customers' requirements;
- develop and maintain relationships with key customers and strategic partners that will be necessary to optimize the market value of our products and services;
- raise sufficient capital in the public and/or private markets to, among other things, fund and/or expand our business until we generate sufficient cash flow to internally fund and/or expand our proposed business; or
- respond effectively to competitive pressures.

If we are unable to accomplish these goals, our business is unlikely to succeed and you will lose your entire investment. Accordingly, you should consider our prospects in light of these risks, challenges and uncertainties.

Our auditors have raised substantial doubts as to our ability to continue as a going concern.

Our financial statements have been prepared assuming we will continue as a going concern. Since the inception of SimplePons Operations in February 2011, we have experienced substantial and recurring losses from operations, which losses have caused an accumulated deficit of $831,590 at December 31, 2011. While we began generating minimal revenues in the fourth quarter of 2011, we continue to experience operating losses. We have been and expect to continue funding our business until, if ever, we generate sufficient cash flow to internally fund our business, with and through sales of our securities, including to insiders and our affiliates. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. We anticipate that our operating expenses will continue to increase and we will continue to incur substantial losses in future periods until we are successful in significantly increasing our revenues and cash flow. There are no assurances that we will be able to increase our revenues and cash flow to a level which supports profitable operations and provides sufficient funds to pay our obligations. If we are unable to meet those obligations, we could be forced to cease operations in which event investors would lose their entire investment in our company.

We have incurred net losses since inception and we expect our operating expenses to increase significantly in the foreseeable future.

We incurred net losses of $831,590 from inception through December 31, 2011, and had an accumulated deficit of approximately $831,590 at December 31, 2011. We anticipate that our operating expenses will continue to increase substantially in the foreseeable future as we continue to expand our marketing channels, expand our operations, hire additional employees and develop our technology platform. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Many of our efforts to generate revenue from our business are new and unproven, and any failure to increase our revenue could prevent us from attaining or increasing profitability. We cannot be certain that we will be able to attain or increase profitability on a consistent and substantial basis. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition and results of operations will suffer, which would, in all likelihood, cause investors to lose their entire investment in our company.

We will need additional financing which we may not be able to obtain on acceptable terms, if at all. If we cannot raise additional capital as needed, our ability to continue our operations and/or grow our company could be in jeopardy.

Capital is needed for the effective development and expansion of our business. Our future capital requirements, however, depend on a number of factors, including our ability to internally grow our revenues, free cash flow and achieve significant and consistent profitability, manage our business and control our expenses. In order to implement our business strategy, we will need to raise additional capital. We do not have any firm commitments to provide any additional capital and we anticipate that we will have certain difficulties raising capital given the limited operating history of our company. Accordingly, we cannot assure you that additional working capital will be available to us upon terms acceptable to us, if at all. If we are subsequently unable to raise additional funds as needed, our ability to implement our business plan and grow our company will be in jeopardy and investors risk losing their entire investment.

If we fail to retain existing merchants or add new merchants, our revenue and business will be harmed.

The success of our business will depend on a number of factors including, but not limited to, our ability to attract and retain merchants that are prepared to offer products or services on compelling terms through our marketplace. We do not have long-term arrangements to guarantee the availability of deals that offer attractive quality, value and variety to consumers or favorable payment terms to us. We must continue to attract and retain merchants in order to increase revenue and achieve profitability. If we are unable to attract new merchants in numbers sufficient to materially grow our business, or if too many merchants are unwilling to offer products or services with compelling terms through our marketplace or offer favorable payment terms to us, we may sell fewer SimplePons and our operating results will be adversely affected.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

We expect competition in e-commerce generally, and group buying in particular, to continue to increase because there are no significant barriers to entry. We compete against a number of large companies including, but not limited to, Groupon and Living Social, and expect to compete against other large Internet and technology-based businesses, such as Google and Microsoft, each of which has launched initiatives which are competitive to our business. We also expect to compete against other Internet sites that are focused on specific communities or interests and offer coupons or discount arrangements related to such communities or interests. We also compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies who provide coupons and discounts on products and services. Moreover, in the future, additional competitors may enter into our business area. Substantially all of our current and future competitors have (or will have) substantially greater capital and employees than us. There are no assurances we will ever effectively and successfully compete in our market.

We cannot assure you that we will be able to manage the growth of our organization effectively.

We currently expect to experience rapid growth in demand for our products if we are able to penetrate new markets. Any future successful growth and/or expansion of our business and product offerings will place significant demands on our management and our operational and financial resources. We will be required to manage multiple relations with various merchants, subscribers, technology licensors and other third parties. In the event of further growth of our operations or in the number of our third-party relationships, our information technology systems or our internal controls and procedures may not be adequate to support our operations. To effectively manage our proposed growth, we must continue to implement operational plans and strategies, improve and expand our infrastructure of people and information systems, and train and manage our employee base. There are no assurances our efforts will be effective.

We may face intellectual property infringement or other claims against us or our intellectual property that could be costly to defend and result in our loss of significant rights.

Although we believe that our software and other trade secrets used in our operations do not infringe upon the rights of others, there are no assurances that a claim of infringement will not be made against us. In the event of infringement, we could, under certain circumstances, be required to obtain a license or modify aspects of the technology and trade secrets we developed or refrain from using same. We may not have the necessary financial resources to defend an infringement claim made against us or be able to successfully terminate any infringement in a timely manner, upon acceptable terms and conditions or at all. Failure to do any of the foregoing could have a material adverse effect on us and our financial condition. Moreover, if the technology or trade secrets we developed or use in our business are deemed to infringe upon the rights of others, we could, under certain circumstances, become liable for damages, which could have a material adverse effect on us and our financial condition.

Risk Related to Our Common Stock

Our common stock is currently quoted on the OTC Bulletin Board, but trading in the securities is limited.

Currently, our common stock is quoted on the OTC Bulletin Board. The market for these securities is extremely limited and there are no assurances an active market for either security will ever develop.

Provisions of our certificate of incorporation and bylaws may delay or prevent a take-over which may not be in the best interests of our stockholders.

Provisions of our certificate of incorporation and bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt. In addition, certain provisions of the Delaware General Corporation Law also may be deemed to have certain anti-takeover effects which include that control of shares acquired in excess of certain specified thresholds will not possess any voting rights unless these voting rights are approved by a majority of a corporation's disinterested stockholders.

Further, our certificate of incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock with such rights and preferences as may be determined from time to time by our board of directors in their sole discretion. Our board of directors may, without stockholder approval, issue series of preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock.

The tradability of our common stock is limited under the penny stock regulations which may cause the holders of our common stock difficulty should they wish to sell the shares.

Because the quoted price of our common stock is less than $5.00 per share, our common stock is considered a “penny stock,” and trading in our common stock is subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser’s written consent prior to the transaction.

SEC regulations also require additional disclosure in connection with any trades involving a “penny stock,” including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of securities in the secondary market because few broker or dealers are likely to undertake these compliance activities and this limited liquidity will make it more difficult for an investor to sell his shares of our common stock in the secondary market should the investor wish to liquidate the investment. In addition to the applicability of the penny stock rules, other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market.

All of our outstanding common shares are “restricted securities” and we have outstanding options, warrants and a convertible note to purchase approximately 27% of our currently outstanding common stock.

At March 23, 2012 we had 77,590,870 shares of common stock outstanding together with outstanding options and warrants to purchase an aggregate of 24,979,412 shares of common stock at exercise prices of between $0.25 and $250 per share together with a note which is convertible into 400,000 shares of our common stock. All our outstanding shares of common stock at March 23, 2012, are "restricted securities." Future sales of restricted common stock under Rule 144 or otherwise could negatively impact the market price of our common stock. In addition, in the event of the exercise of the warrants and/or options and/or convertible note, the number of our outstanding common stock will increase by almost 21%, which will have a dilutive effect on our existing stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable to a smaller reporting company.

ITEM 2. DESCRIPTION OF PROPERTY.

Our principal executive offices are located in approximately 3,200 square feet of office space which we lease from an unaffiliated third party under the terms of a three year agreement expiring in December 2014. Under the terms of the lease, the annual base rent and our share of the operating expenses will range from approximately $60,000 in year one to approximately $62,000 in year three.

ITEM 3. LEGAL PROCEEDINGS.

We are not a party to any pending or threatened litigation.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable to our company.

PART II

ITEM 5. MARKET FOR COMMON STOCK AND RELATED SHAREHOLDER MATTERS.

Our common stock is quoted in the OTC Bulletin Board under the symbol "QPON." The reported high and low last sale prices for the common stock are shown below for the periods indicated. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions. The historical share prices in this table have been adjusted to give effect to the forward stock split of our common stock in December 2011.

	High	Low
2010		
First quarter ended March 31, 2010	$2.40	$0.50
Second quarter ended June 30, 2010	$1.125	$0.375
Third quarter ended September 30, 2010	$0.85	$0.10
Fourth quarter ended December 31, 2010	$2.00	$0.10
2011		
First quarter ended March 31, 2011	$1.20	$1.00
Second quarter ended June 30, 2011	$0.275	$0.275
Third quarter ended September 30, 2011	$0.275	$0.275
Fourth quarter ended December 31, 2011 (1)	$4.00	$0.20

(1) We acquired SimplePons Operations in the reverse merger on November 11, 2011.

The last sale price of our common stock as reported on the OTC Bulletin Board on March 5, 2012 was $0.55 per share. As of March 23, 2012, there were approximately 150 record owners of our common stock.

Dividend Policy

We have never paid cash dividends on our common stock. Under Delaware law, we may declare and pay dividends on our capital stock either out of our surplus, as defined in the relevant Delaware statutes, or if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. If, however, the capital of our company, computed in accordance with the relevant Delaware statutes, has been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, we are prohibited from declaring and paying out of such net profits and dividends upon any shares of our capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

Registration Rights Granted to Our Shareholders

We have previously agreed to register an aggregate of 42,950,000 shares of our common stock, including 22,290,000 shares which are currently outstanding and 20,660,000 shares underlying warrants which are exercisable at prices ranging from $0.25 to $0.50 per share, which were either sold in prior offerings or shares which were outstanding at the time of the reverse merger. We expect to file a resale registration statement with the SEC covering these shares during the second quarter of 2012.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable to a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our financial condition and results of operations for 2010 and 2009 should be read in conjunction with the financial statements and the notes to those statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Item 1A. Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Business sections in this Form 10-K. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements.

Overview

Prior to the reverse merger with SimplePons Operations, we were a "shell company" as that term is defined in federal securities laws. The transaction with SimplePons Operations was accounted for as a reverse merger and recapitalization of SimplePons Operations whereby SimplePons Operations was considered the acquirer for accounting purposes. As such, our business and operations are now those of SimplePons Operations.

We generate revenue from the sale of our savings deal book which will be available in both a printed format and an electronic format accessible through our smartphone app. Our customers are obtained through a series of different marketing activities including fundraisers at schools, sports groups, little leagues and other local religious and civic groups that are seeking to raise money for their organizations.

In October 2011 SimplePons Operations completed its initial round of capital raising resulting in gross proceeds to it of $1,000,500. Subsequent to that date we raised an additional $315,000 through the sale of equity and debt. Although we do not have any commitments for capital expenditures, we will need to raise substantial additional capital to provide funding for marketing, technology development, additional sales and customer service personnel, and our operating infrastructure. Given the small size of our company, the early stage of our operations, we may find it difficult to raise sufficient capital to meet our needs. If we are unable to access capital as needed, our ability to grow our company is in jeopardy and absent a significant increase in our revenues we may be unable to continue as a going concern.

Going Concern

We have incurred net losses of $831,590 since inception through December 31, 2011. The report of our independent registered public accounting firm on our financial statements for the period of inception (February 7, 2011) through December 31, 2011 contains an explanatory paragraph regarding our ability to continue as a going concern based upon our net loss and cash used in operations. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. There are no assurances we will be successful in our efforts to generate revenues or report profitable operations or to continue as a going concern, in which event investors would lose their entire investment in our company.

Results of Operations

As of December 31, 2011, we had exited development stage and begun generating revenues. Our operating expenses for the period from inception (February 7, 2011) through December 31, 2011 consist primarily of salary expense, consulting fees, legal and professional fees and selling, general and administrative expenses. We expect our expenses in each of these areas to continue to increase during 2012 and beyond as we expand our operations. However, we are unable at this time to estimate the amount of the expected increases.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate sufficient cash to satisfy its needs for cash. At December 31, 2011 we had working capital $364,043. Our current assets at December 31, 2011, included cash, inventory, prepaid and other current assets. Prepaid and other current assets primarily represent prepaid consulting fees which are being amortized over the term of the consulting agreements. Our current liabilities at December 31, 2011 included accrued expenses representing accrued commissions, payroll and payroll taxes, together accrued salary - officers which represents accrued but unpaid compensation due our executive offices together with related payroll taxes. Through December 31, 2011, our executive officers have deferred $92,339 of compensation due them in order to conserve our cash resources.

Net cash used in operating activities for the period of inception (February 7, 2011) through December 31, 2011 primarily consisted of our net loss adjusted for certain non-cash items such as depreciation and stock based compensation as well as changes in working capital. Net cash used in investing activities for the period of inception (February 7, 2011) through December 31, 2011 primarily consisted of the costs associated with registering a trademark, and other costs for the startup of the SimplePons business. Net cash provided by financing activities for the period of inception (February 7, 2011) through December 31, 2011 represented proceeds to SimplePons from the sale of its securities in a private placement.

Critical Accounting Policies

Website Development

We have adopted the provisions of FASB Accounting Standards Codification No. 350 *Intangible-Goodwill and Other*. Costs incurred in the planning stage of a website are expensed, while costs incurred in the development stage are capitalized and amortized over the estimated three year life of the asset. During the period February 7, 2011(Inception) to December 31, 2011, we incurred $114,612 in website development costs. The website was put into service on September 30, 2011. Amortization for the period February 7, 2011(Inception) to December 31, 2011 was $8,301.

Stock-Based Compensation

We recognize compensation costs to employees under FASB Accounting Standards Codification No. 718, *Compensation – Stock Compensation*. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements include stock options, restricted share plans, performance based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Equity instruments issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 505, *Equity Based Payments to Non-Employees.* In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

Recent Accounting Pronouncements

The recent accounting standards that have been issued or proposed by the Financial Accounting Standards Board (FASB) or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Off Balance Sheet Arrangements

As of the date of this Current Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable for a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Please see our Financial Statements beginning on page F-1 of this annual report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND **FINANCIAL DISCLOSURE.**

On November 1, 2011, we dismissed Rothstein, Kass & Company, P.C. as our independent registered public accounting firm and engaged Webb & Company, P.A. as our independent registered public accounting firm. Rothstein, Kass & Company, P.C. has served as our independent registered public accounting firm since January 14, 2004 and audited our financial statements for the years ended December 31, 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003. The dismissal of Rothstein, Kass & Company, P.C. was approved by our board of directors on November 1, 2011. Rothstein, Kass & Company, P.C. did not resign or decline to stand for re-election.

Neither the report of Rothstein, Kass & Company, P.C. dated March 28, 2011 on our balance sheets as of December 31, 2010 and 2009 and the related statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2010 and 2009 nor the report of Rothstein, Kass & Company, P.C. dated April 12, 2010 on our balance sheets as of December 31, 2009 and 2008 and the related statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2009 and 2008 contained an adverse opinion or a disclaimer of opinion, nor was either such report qualified or modified as to uncertainty, audit scope, or accounting principles, except that both such reports raised substantial doubts on our ability to continue as a going concern.

During our two most recent fiscal years and the subsequent interim period preceding our decision to dismiss Rothstein, Kass & Company, P.C. we had no disagreements with the firm on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure which disagreement if not resolved to the satisfaction of Rothstein, Kass & Company, P.C. would have caused it to make reference to the subject matter of the disagreement in connection with its report.

During our two most recent fiscal years and the subsequent interim period prior to retaining Webb & Company, P.A. (1) neither we nor anyone on our behalf consulted Webb & Company, P.A. regarding (a) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements or (b) any matter that was the subject of a disagreement or a reportable event as set forth in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K, and (2) Webb & Company, P.A. did not provide us with a written report or oral advice that they concluded was an important factor considered by us in reaching a decision as to accounting, auditing or financial reporting issue.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. We maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. In designing and evaluating our disclosure controls and procedures, our management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective such that the information relating to our company, required to be disclosed in our Securities and Exchange Commission reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

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- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of these controls. Based on this assessment, our management has concluded that as of December 31, 2011, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control over Financial Reporting. During the fourth quarter of 2011 there were a number of changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. These changes included were due to the reverse merger with SimplePons Operations as described elsewhere in this report, which resulted in the engagement of a Chief Financial Officer, and financial reporting procedures to be assimilated, combined and/or consolidated together with SimplePons' financial reporting procedures.

ITEM 9B. Other Information.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Executive officers and directors

The following table provides information on our executive officers and directors:

Name	Age	Positions
Brian S. John	43	President and Chief Executive Officer and Director
Richard A. Miller	44	Vice President, Secretary and Director
Wei-Ken Seto	38	Chief Operating Officer
Martin Scott	43	Chief Financial Officer

Brian S. John has been a member of the board of directors and Chairman, President and Chief Executive Officer of our company since November 2011. Mr. John, a founder of SimplePons Operations, has been an officer and director of that company since its inception in February 2011. Mr. John was President and CEO of Teeka Tan Products, Inc. (OTCBB: TKAT) from April 2002 until May 2008 at which time the company was sold. He is also president of Mirador Consulting, Inc., a Florida- based corporate consulting firm which he founded in 2001. Earlier in his career, from May 1991 until April 1996, Mr. John served as northeast area sales director for Dine-A-Mate, Inc., an entertainment and dining guide that was later acquired by CUC International.

Richard A. Miller has been a member of our board of directors and Vice President and Secretary of our company since November 2011. He also served as our Chief Operating Officer from November 2011 until Mr. Seto joined our company in January 2012. Mr. Miller, a founder of SimplePons Operations, has been an officer and director of that company since its inception in February 2011. Mr. Miller was Vice President, Chief Operating Officer and a director of Teeka Tan Products, Inc. (OTCBB: TKAT) from April 2002 until May 2008 at which time the company was sold. Mr. Miller also serves as corporate secretary of Mirador Consulting, Inc., which he joined in March 2002.

Wei-Ken Seto has been our Chief Operating Officer since January 2012. Mr. Seto, whose career has included significant experience in assisting companies in managing their growth, was an investor in SimplePons prior to joining our company. From March 2011 until joining SimplePons, he was serving as an independent finance consultant for several companies in the San Francisco-CA area. From September 2008 until February 2011 Mr. Seto was Director of Financial Planning and Analysis and Corporate Controller for Lumasense Technologies, Inc., a California-based provider of innovative temperature and gas sensing instruments for the energy, industrial, clean technology and commercial markets. From May 2008 until September 2008 he was a Finance Consultant for Integrated Media Management, Inc., a California-based ad-tracking company, where he assisted in developing financial models to forecast growth and profitability of the company's Nielsen-alternative advertising-tracking business. From December 2007 to May 2008, Mr. Seto was Vice President of Finance for NextStyle LLC, a California-based online apparel boutique retailer. From March 2002 until December 2007 he was employed by Zappos.com, Inc., an on-line footwear and apparel retailer, serving as Corporate Controller from March 2002 until June 2006 and Director of Treasury from July 2006 until December 2007. From October 1998 until February 2002 Mr. Seto was a Senior Audit Manager with Ernst & Young LLP in San Francisco CA and from July 1996 to October 1998 he was a Senior Staff Auditor with Ernst & Young in Singapore. Mr. Seto, a certified public accountant, received a Bachelors of Accountancy from Nanyang Technological University in Singapore.

Martin Scott has been our Chief Financial Officer since November 2011. Since 2002, Mr. Scott has owned a consulting practice that specializes in assisting small public companies in preparing financial reports. Since 2008, he has served as Chief Financial Officer of NanoBlox, Inc., a privately held company involved in the development of nano technologies. Mr. Scott received a B.S. in accounting and finance from the Florida State University. Mr. Scott, a certified public accountant, is a member of the American Institute for Certified Public Accountants.

There are no family relationships between our officers and directors. Each director is elected at our annual meeting of stockholders and holds office until the next annual meeting of stockholders, or until his successor is elected and qualified.

Director Qualifications, Committees of our Board of Directors and the Role of our Board in Risk Oversight

Director qualifications

Both of our directors are co-founders of SimplePons Operations and continue to be involved in our day to day operations. Mr. John has significant experience in the coupon industry and brings both a practical understanding of the industry and as well as hands-on experience in our business sector to our Board. Mr. Miller's enhanced understanding of our operations provides an additional dimension to his role as a director.

During 2012 we expect to expand our board of directors to add independent directors. While our board has not nominated any additional directors as of the date of this report, we expect that the director candidates will have professional experience in a variety of areas, including technology, marketing, social media, finance and advertising.

Committees of our Board of Directors

We have not established any committees, including an Audit Committee, a Compensation Committee or a Nominating Committee, any committee performing a similar function. The functions of those committees are being undertaken by Board of Directors as a whole. Because we have only two directors, neither of which is independent, we believe that the establishment of these committees would be more form over substance. Following the expected expansion of our board in 2012, we expect to establish Audit, Compensation and Nominating Committees, the members of which will be independent directors.

We do not have a policy regarding the consideration of any director candidates which may be recommended by our shareholders, including the minimum qualifications for director candidates, nor has our board of directors established a process for identifying and evaluating director nominees, nor do we have a policy regarding director diversity. We have not adopted a policy regarding the handling of any potential recommendation of director candidates by our shareholders, including the procedures to be followed. Our Board has not considered or adopted any of these policies as we have never received a recommendation from any shareholder for any candidate to serve on our Board of Directors. Given our relative size, we do not anticipate that any of our shareholders will make such a recommendation in the near future. While there have been no nominations of additional directors proposed, in the event such a proposal is made, all members of our Board will participate in the consideration of director nominees. In considering a director nominee, it is likely that our Board will consider the professional and/or educational background of any nominee with a view towards how this person might bring a different viewpoint or experience to our Board.

Neither of our directors is an “audit committee financial expert” within the meaning of Item 401(e) of Regulation S-K. In general, an “audit committee financial expert” is an individual member of the audit committee or Board of Directors who:

- understands generally accepted accounting principles and financial statements,
- is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves,
- has experience preparing, auditing, analyzing or evaluating financial statements comparable to the breadth and complexity to our financial statements,
- understands internal controls over financial reporting, and
- understands audit committee functions.

Our securities are not quoted on an exchange that has requirements that a majority of our Board members be independent and we are not currently otherwise subject to any law, rule or regulation requiring that all or any portion of our Board of Directors include “independent” directors, nor are we required to establish or maintain an Audit Committee or other committee of our Board of Directors.

Board oversight in risk management

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including liquidity risk, operational risk, strategic risk and reputation risk. Our Chief Executive Officer also serves as one of our two directors and we do not have a lead director. In the context of risk oversight, at the present stage of our operations we believe that our selection of one person to serve in both positions provides the Board with additional perspective which combines the operational experience of a member of management with the oversight focus of a member of the Board. The business and operations of our company are managed by our Board as a whole, including oversight of various risks that our company faces. Because our Board is comprised of members of our management, these individuals are responsible for both the day-to-day management of the risks we face as well as the responsibility for the oversight of risk management.

Code of Ethics and Business Conduct

We have adopted a Code of Business Conduct and Ethics, which applies to our board of directors, our executive officers and our employees, outlines the broad principles of ethical business conduct we adopted, covering subject areas such as:

- compliance with applicable laws and regulations,
- handling of books and records,
- public disclosure reporting,
- insider trading,
- discrimination and harassment,
- health and safety,
- conflicts of interest,
- competition and fair dealing, and
- protection of company assets.

A copy of our Code of Business Conduct and Ethics is available without charge, to any person desiring a copy of the Code of Business Conduct and Ethics, by written request to us at our principal offices at 220 Congress Park Drive, Suite 304, Delray Beach, Florida 33445 or from our website at www.simplepons.com.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common shares and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) reports they file. Based on our review of the copies of such forms received by us, and to the best of our knowledge, all executive officers, directors and persons holding greater than 10% of our issued and outstanding stock have filed the required reports in a timely manner during 2011.

ITEM 11. EXECUTIVE COMPENSATION.

The following table summarizes all compensation recorded by us in 2011 and 2010 for our principal executive officer, each other executive officer serving as such whose annual compensation exceeded $100,000, and up to two additional individuals for whom disclosure would have been made in this table but for the fact that the individual was not serving as an executive officer of our company at December 31, 2011. The value attributable to any option awards is computed in accordance with FASB ASC Topic 718. The assumptions made in the valuations of the option awards are included in Note 6(D) of the Notes to our Financial Statements appearing later in this report.

SUMMARY COMPENSATION TABLE

Name and principal position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Non-qualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i)	Total ($) (j)
Brian S. John [1]	2011	50,000	0	0	3,092	0	0	0	53,092
Leo Smith [2]	2011	0	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0	0

1 Mr. John has

served as our Chief Executive Officer since November 1, 2011. He as served as SimplePons Operations Chief Executive Officer since its formation in February 2011.

[2] Mr. Smith served as our Chief Executive Officer from January 2010 until November 1, 2011.

Employment Agreements

We are a party to an employment agreement with each of our executive officers. The terms and conditions of these agreements are as follows:

In November 2011, we entered into new five year employment agreements with each of Messrs. John and Miller which superseded their prior agreements with our subsidiary, SimplePons Operations. In addition to their positions as executive officers of our company, during the term of these agreements each of Messrs. John and Miller shall serve as members of our board of directors. Under the terms of these agreements, we agreed to pay each of them an annual salary of $100,000 for the period commencing on the effective date and ending on December 31, 2012, and thereafter for the period commencing on January 1, 2013 and ending on December 31, 2013, a base salary at an annual rate $125,000, and thereafter for the period commencing January 1, 2014 until the end of the term of this agreement, a base salary at an annual rate of $150,000. Each executive is also entitled to an annual bonus of at the discretion of our board of directors. As additional compensation, we granted each of Messrs. John and Miller options to purchase 1,000,000 shares of our common stock at an exercise price of $0.275 per share which vest quarterly in arrears over three years. Each of these executive officers is also entitled to participate in all benefit programs we offer our employees. The agreements, which contain an automatic yearly renewal provision, contain customary confidentially and non-compete provisions. Each employee's employment may be terminated upon his death or disability and with or without cause. In the event employment is terminated as a result of either of their death or disability, each is entitled to his then current base salary for a period of three months from the date of termination and all granted but unvested options are immediately vested. In the event either should terminate the agreement for cause or if either of them should resign, he is entitled to payment of his base salary through the date of termination. At our option we may terminate his employment without cause, in which event he is entitled to payment of his then base salary and bonus through the date of termination together with one years’ salary payable in a lump sum at the date of termination and all granted but unvested options are immediately vested.

In December 2011, we have entered into a five year employment agreement with Mr. Martin Scott, our Chief Financial Officer. Under the terms of this agreement, we agreed to pay Mr. Scott an annual salary of $70,000 for the period commencing on the effective date and ending on December 31, 2012, and thereafter for the period commencing on January 1, 2013 and ending on December 31, 2013, a base salary at an annual rate $87,500, and thereafter for the period commencing January 1, 2014 until the end of the term of this agreement, a base salary at an annual rate of $109,375. He is also entitled to an annual bonus of at the discretion of our board of directors. Mr. Scott is also entitled to participate in all benefit programs we offer our employees. As additional compensation, we granted Mr. Scott options to purchase 1,500,000 shares of our common stock with exercise prices ranging from $0.275 to $0.75 per share which vest quarterly in arrears over three years. The agreement, which contains an automatic yearly renewal provision, contains customary confidentially provisions. Mr. Scott's employment may be terminated upon his death or disability and with or without cause. In the event his employment should terminate as a result of his death or disability, he is entitled to his then current base salary for a period of three months from the date of termination and all granted but unvested options are immediately vested. In the event we should terminate the agreement for cause or if he should resign, he is entitled to payment of his base salary through the date of termination. At our option we may terminate his employment without cause, in which event he is entitled to payment of his then base salary and bonus through the date of termination together with one years’ salary payable in a lump sum on the date of termination and all granted but unvested options are immediately vested.

In January 2012 we entered into a three year employment with Mr. Wei-Ken Seto to serve as our Chief Operating Officer. Under the terms of this agreement, we agreed to pay Mr. Seto an annual salary of $150,000. As additional compensation, we granted him options to purchase an aggregate of 3,000,000 shares of our common stock at an exercise price of $0.75 per share, which vest quarterly over three in arrears beginning on August 1, 2012. Mr. Seto is entitled to participate in all benefit programs we offer our employees. The agreement, which contains an automatic yearly renewal provision, contains customary confidentially provisions. Mr. Seto's employment may be terminated upon his death or disability and with or without cause. In the event his employment upon his death or disability, he is entitled to his then current base salary for a period of three months from the date of termination and all vested options remain exercisable through the original terms of the options. In the event we should terminate the agreement for cause or if he should resign, he is entitled to payment of his base salary through the date of termination. At our option we may terminate his employment without cause. If we terminate him without cause within six months from the date of the agreement, he is not entitled to any compensation and all granted but unvested options immediately terminate. In the event we should terminate him without cause after the six month anniversary of the employment agreement, he is entitled to payment of his then base salary and bonus through the date of termination together with three months’ salary payable in a lump sum on the date of termination and all vested options remain exercisable through the original option term.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information concerning unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer outstanding as of December 31, 2011:

OPTION AWARDS						STOCK AWARDS			
Name(a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($)(h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) (j)
Brian S. John	41,667	0	0	0.275	1/31/17	0	0	0	0
	0	41,667	0	0.275	4/30/17	0		0	0
	0	41,667	0	0.275	7/30/17	0		0	0
	0	41,667	0	0.275	10/31/17	0		0	0
	0	41,667	0	0.275	1/31/18				
	0	41,667	0	0.275	4/30/187	0		0	0
	0	41,667	0	0.275	7/30/18	0		0	0
	0	41,667	0	0.275	10/31/18	0		0	0
	0	41,667	0	0.275	1/31/19	0			
	0	41,667	0	0.275	4/30/19	0		0	0
	0	41,667	0	0.275	7/30/19	0		0	0
	0	41,667	0	0.275	10/31/19	0		0	0
C. Leo Smith	0	0	0	0	0	0	0	0	0

Compensation of Directors

We have not established standard compensation arrangements for our directors and the compensation payable to each individual for their service on our Board is determined from time to time by our Board of Directors based upon the amount of time expended by each of the directors on our behalf. Neither Mr. John nor Mr. Miller received any compensation specifically for their services as a director in 2011.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS.

At March 23, 2012, we had 77,590,870 shares of our common stock issued and outstanding. Such amount, however, excludes 25,379,412 shares of our common stock reserved for issue upon exercise of issued and outstanding warrants, options and a convertible note. The following table sets forth information regarding the beneficial ownership of our common stock as of March 23, 2012 by:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- our named executive officers and directors as a group.

Unless otherwise indicated, the business address of each person listed is in care of 220 Congress Park Drive, Suite 304, Delray Beach, FL 33445. The information provided herein is based upon a list of our stockholders and our records with respect to the ownership of warrants and options to purchase securities in our company. The percentages in the table have been calculated on the basis of treating as outstanding for a particular person, all shares of our common stock outstanding on that date and all shares of our common stock issuable to that holder in the event of exercise of outstanding options, warrants, rights or conversion privileges owned by that person at that date which are exercisable within 60 days of that date. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	% of Class
Brian S. John [1]	20,083,334	19.8 %
Richard A. Miller [2]	20,083,334	19.8 %

Martin Scott [3]	1,041,668	1.0 %
Wei-Ken Seto [4]	700,000	≤1 %
All officers and directors as a group (four persons)[1,2,3,4]	41,908,336	41.0 %
Maarten Linthorst [5]	10,000,000	9.4 %
Falcon Partners BVBA [6]	6,000,000	5.8 %
Emilio DiSanluciano [7]	6,000,000	5.8 %

1 Includes vested options to purchase 83,334 shares of our common stock with an exercise price of $0.275 per share, but excludes options to purchase an additional 916,666 shares of our common stock exercisable at $0.275 which have not yet vested.

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[2] Includes vested options to purchase 83,334 shares of our common stock with an exercise price of $0.275 per share, but excludes options to purchase an additional 916,666 shares of our common stock exercisable at $0.275 which have not yet vested.

[3] Includes vested options to purchase 41,668 shares of our common stock with an exercise price of $0.275 per share, but excludes options to purchase an additional 458,332 shares of our common stock exercisable at $0.275 and options to purchase 1,000,000 shares of our common stock with an exercise price of $0.75 per share which have not yet vested. The number of shares owned by Mr. Scott excludes securities owned by his wife over which he disclaims beneficial ownership.

[4] Includes 400,000 shares underlying a $40,000 principal amount convertible promissory note with a conversion price of $0.10 per share and warrants to purchase 100,000 shares of our common stock with an exercise price of $0.25 per share, but excludes unvested options to purchase 3,000,000 shares of our common stock with an exercise price of $0.75 per share.

[5] The number of shares beneficially owned by Mr. Linthorst includes 5,000,000 shares of our common stock issuable upon the exercise of warrants with an exercise price of $0.25 per share. Mr. Lindhort's address is Mutzmaleivstrasse 34, CH-8712 Staefa, Switzerland.

[6] The number of shares beneficially owned by Falcon Partners BVBA includes 1,000,000 shares of our common stock issuable upon the exercise of warrants with an exercise price of $0.25 per share. Falcon Partners BVBA's address is Gan Welterslaan #13, 2100 Antwerp Belgium.

[7] The number of shares beneficially owned by Mr. DiSanluciano includes 1,000,000 shares of our common stock issuable upon the exercise of three-year warrants with an exercise price of $0.25 per share which are held of record by Thorsdale, Inc.. Mr. DiSanluciano has voting and dispositive control over securities held by Thorsdale, Inc. Mr. DiSanluciano 's address is 777 S. Flagler Drive, Suite 800, West Tower, West Palm Beach, FL 33487.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth securities authorized for issuance under any equity compensation plans approved by our shareholders as well as any equity compensation plans not approved by our shareholders as of December 31, 2011.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column)
Plans approved by our shareholders:			
2011 Equity Compensation Plan	4,100,000	$ 0.275	900,000
Plans not approved by shareholders	0	—	0

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

In August 2011, SimplePons Operations entered into a two year consulting agreement with Mr. Emilio DiSanluciano to provide a variety of services to us, including industry analysis, identifying and introducing potential strategic partners to our company, evaluations of competitors and development of strategies to increase our competitiveness and advice on effective management of relationships with investment banking firms. As compensation for these services, SimplePons Operations issued Mr. DiSanluciano 4,000,000 shares of its common stock valued at $200,000. Mr. DiSanluciano is an affiliate of the Felix Investments LLC, a broker-dealer and member of FINRA. On February 15, 2012 we engaged that firm to serve as our exclusive financial advisor. Under the terms of the one year agreement, the firm will provide us with financial advisory and investment banking services for an annual fee of $60,000. We have agreed to reimburse the firm for its expenses incurred in connection with the engagement and to pay it certain additional transactional fees. We have also granted the firm the right to serve as our investment banker for any private or public offering of our securities and in certain other transactions, upon such terms as the parties may mutually agree. The agreement contains customary indemnification provisions.

In January 2012 we borrowed $40,000 from Mr. Wei-Ken Seto, one of our executive officers, under the terms of a convertible promissory note due in January 2013. The note, which bears interest at 4% per annum, is convertible at our option into shares of our common stock at a conversion price of $0.10 per share.

Director Independence

Neither of our directors is considered “independent” within the meaning of meaning of Rule 5605 of the NASDAQ Marketplace Rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table shows the fees that were billed for the audit and other services provided by Webb & Company, P.A. for 2011 and Rothstein, Kass & Company, P.C. for 2011 and 2010.

	2011	2010
Audit Fees	$36,231	$30,000
Audit-Related Fees	0	0
Tax Fees	0	7,500
All Other Fees	0	0
Total	$36,231	$37,500

Audit Fees — This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees — This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the Securities and Exchange Commission and other accounting consulting.

Tax Fees — This category consists of professional services rendered by our independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

All Other Fees — This category consists of fees for other miscellaneous items.

Our Board of Directors has adopted a procedure for pre-approval of all fees charged by our independent registered public accounting firm. Under the procedure, the Board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the Board, or, in the period between meetings, by a designated member of Board. Any such approval by the designated member is disclosed to the entire Board at the next meeting. The audit and tax fees paid to the auditors with respect to 2011 were pre-approved by the entire Board of Directors.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

2.1	Agreement and Plan of Merger by and among Paligent Inc., IFL Corp., and International Fight League, Inc., dated as of August 25, 2006 (Incorporated by reference to the registrant's amended Schedule 14A filed on October 31, 2006).
2.2	Agreement and Plan of Reorganization dated October 20, 2011 by and between IFLI Acquisition Corp., IFLI Acquisition Subsidiary Corp. and SimplePons, Inc. (Incorporated by reference to the Current Report on Form 8-K filed by the registrant on October 20, 2011).
3.1	Amended and Restated Certificate of Incorporation of Paligent Inc. (f/k/a HeavenlyDoor.com, Inc.), filed with the Secretary of State of Delaware on June 26, 2000 (Incorporated by reference to the registrant's registration statement on Form S-8 (Commission File No. 333-45168) filed on September 5, 2000).
3.2	Certificate of Ownership and Merger of Paligent Inc. into HeavenlyDoor.com, Inc., filed with the Secretary of State of Delaware on December 28, 2000, to be effective as of December 31, 2000. (Incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 2000, filed on April 2, 2001).
3.3	Certificate of Amendment to Certificate of Incorporation of Paligent Inc. filed with the Secretary of State of the State of Delaware on November 28, 2006, to be effective as of November 29, 2006 to give effect to the reverse stock split (Incorporated by reference to the registrant's Current Report on Form 8-K filed on December 5, 2006).
3.4	Certificate of Amendment to Certificate of Incorporation of Paligent Inc. filed with the Secretary of State of the State of Delaware on November 28, 2006, to be effective as of November 29, 2006 to change the Registrant's name to International Fight League, Inc. (Incorporated by reference to the registrant's Current Report on Form 8-K filed on December 5, 2006).
3.5	Certificate of Amendment to the registrant's Amended and Restated Certificate of Incorporation, filed with the Secretary of State of Delaware on June 28, 2007 (Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 filed on August 14, 2007).
3.6	Amended and Restated By-laws of registrant (Incorporated by reference to the registrant's Current Report on Form 8-K filed on May 22, 2007).
3.7	Certificate of Amendment to the registrant's Amended and Restated Certificate of Incorporation, filed with the Secretary of State of Delaware and effective on July 8, 2010 (Incorporated by reference to the registrant's Current Report on Form 8-K filed July 12, 2010).
3.8	Certificate of Merger (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 7, 2011).
3.9	Amendment No. 1 dated November 1, 2011 to the Amended and Restated Bylaws (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 7, 2011).
3.10	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (Incorporated by reference to the registrant's Current Report on Form 8-K filed on December 15, 2011).
4.1	Form of Warrant dated August 6, 2007 (Incorporated by reference to the registrant's Current Report on Form 8-K filed on August 9, 2007).
4.2	Warrant dated March 1, 2007 issued to placement agent (Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 15, 2007).
4.3	Warrant dated August 6, 2007 issued to placement agent (Incorporated by reference to the registrant's registration statement on Form S-1 (Commission File No. 333-146629) filed October 11, 2007).
4.4	Warrant dated June 1, 2007 issued to consultant (Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed on August 14, 2007).
4.5	Form of Coach's Warrant (Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed on August 14, 2007).
4.6	Form of Exchange Warrant (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 7, 2011).

4.7 Form of Series B common stock purchase warrant *

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4.8	Form of Series C common stock purchase warrant *
10.1	Asset Purchase Agreement, dated September 19, 2008, between IFL Corp. and HD Net LLC (Incorporated by reference to the Current Report on Form 8-K filed by the registrant on September 24, 2008).
10.2	Registration Rights Agreement, dated December 22, 2006 between International Fight League, Inc. and the stockholders party thereto (Incorporated by reference to the registrant's registration statement on Form S-1 (Commission File No. 333-140636) filed on February 12, 2007).
10.3	Stock Repurchase Agreement dated November 1, 2011 by and between IFLI Acquisition Corp., Insurance Marketing Solutions, LLC and SimplePons, Inc.(Incorporated by reference to the registrant's Current Report on Form 8-K filed November 7, 2011).
10.4	Employment Agreement dated February 15, 2011 by and among SimplePons, Inc. and Brian S. John (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 17, 2011).
10.5	Employment Agreement dated February 15, 2011 by and among SimplePons, Inc. and Richard A. Miller (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 17, 2011).
10.6	Employment Agreement dated February 15, 2011 by and among SimplePons, Inc. and Martin Scott (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 17, 2011).
10.7	Employment Agreement dated February 15, 2011 by and among SimplePons, Inc. and Wei-Ken Seto (Incorporated by reference to the registrant's Current Report on Form 8-K filed January 26, 2012.
10.8	Office Lease Agreement dated November 11, 2011 by and among ATC Realty One, LLC and SimplePons, Inc.(Incorporated by reference to the registrant's Current Report on Form 8-K filed November 17, 2011).
10.9	2011 Equity Compensation Plan (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 7, 2011).
14.1	Code Business Conduct and Ethics adopted November 1, 2011 (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 7, 2011).
16.1	Letter dated November 4, 2011 from Rothstein, Kass & Company, P.C. (Incorporated by reference to the registrant's Current Report on Form 8-K filed November 7, 2011).
21.1	Subsidiaries of the registrant *
31.1	

	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer ***				
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer ***				
32.1	Section 1350 Certification of Chief Executive Officer***				
32.1	Section 1350 Certification of Chief Financial Officer***				
101.INS	XBRL INSTANCE DOCUMENT ***				
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA ***				
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE ***	6.875%	2/15/23	1,000,000	1,115,000

Regency Energy Partners LP/Regency Energy Finance Corp., Senior Notes	6.500%	7/15/21	750,000	795,000
Reliance Holdings USA Inc., Senior Notes	5.400%	2/14/22	250,000	252,835 [(a)]
Sanchez Energy Corp., Senior Notes	7.750%	6/15/21	710,000	725,975 [(a)]
Summit Midstream Holdings LLC/Summit Mindstream Finance Corp., Senior Notes	7.500%	7/1/21	230,000	240,350 [(a)]
Williams Cos. Inc., Debentures	7.500%	1/15/31	413,000	436,527
Williams Cos. Inc., Senior Notes	8.750%	3/15/32	39,000	45,533
Total Oil, Gas & Consumable Fuels				*12,880,107*
Total Energy				**15,208,082**
Financials 17.5%				
Capital Markets 2.2%				
Deutsche Bank AG, Subordinated Notes	4.296%	5/24/28	2,000,000	1,810,670 [(c)]
Goldman Sachs Group Inc., Senior Notes	5.250%	7/27/21	800,000	875,874
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	1,000,000	1,112,545
Total Capital Markets				*3,799,089*
Commercial Banks 7.4%				
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	610,000	806,286 [(a)]
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,500,000	2,662,500
Credit Agricole SA, Subordinated Bonds	8.125%	9/19/33	450,000	497,250 [(a)(c)]
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	1,610,000	1,827,350 [(a)(c)(d)]
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	300,000	308,684 [(a)]
Intesa Sanpaolo SpA, Senior Notes	3.875%	1/16/18	1,000,000	1,023,981
M&T Bank Corp., Junior Subordinated Notes	6.875%	6/15/16	760,000	729,986 [(a)(d)]
Royal Bank of Scotland Group PLC, Subordinated Notes	5.050%	1/8/15	230,000	236,808
Royal Bank of Scotland Group PLC, Subordinated Notes	6.100%	6/10/23	1,470,000	1,481,901
Royal Bank of Scotland Group PLC, Subordinated Notes	6.000%	12/19/23	150,000	151,068
	7.750%	5/15/23	140,000	153,995

Royal Bank of Scotland NV, Subordinated Notes				
Santander UK PLC, Subordinated Notes	5.000%	11/7/23	510,000	511,897 [a]
Santander US Debt SA Unipersonal, Senior Notes	3.724%	1/20/15	300,000	305,978 [a]
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	2/14/14	2,530,000	2,314,950 [c][d]
Total Commercial Banks				*13,012,634*

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Consumer Finance 0.2%				
Ally Financial Inc., Senior Notes	8.000%	3/15/20	350,000	$ *419,562*
Diversified Financial Services 6.1%				
Bank of America Corp., Senior Notes	5.000%	5/13/21	1,100,000	1,202,050
Citigroup Inc., Subordinated Notes	3.500%	5/15/23	500,000	465,896
Citigroup Inc., Subordinated Notes	6.625%	6/15/32	1,000,000	1,112,643
General Electric Capital Corp., Notes	5.300%	2/11/21	450,000	503,379
General Electric Capital Corp., Subordinated Debentures	6.375%	11/15/67	500,000	542,500 (c)
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	1,380,000	1,624,950
International Lease Finance Corp., Senior Notes	5.875%	8/15/22	750,000	748,125
International Lease Finance Corp., Senior Secured Notes	7.125%	9/1/18	400,000	463,000 (a)
JPMorgan Chase & Co., Junior Subordinated Bonds	6.000%	8/1/23	1,910,000	1,826,437 (c)(d)
JPMorgan Chase & Co., Subordinated Notes	5.125%	9/15/14	1,300,000	1,339,355
Nationstar Mortgage LLC/Nationstar Capital Corp., Senior Notes	7.875%	10/1/20	350,000	363,125
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	500,000	533,750 (a)(c)
Total Diversified Financial Services				*10,725,210*
Insurance 1.2%				
ING Capital Funding Trust III, Junior Subordinated Bonds	3.847%	3/31/14	100,000	99,625 (c)(d)
Liberty Mutual Group Inc., Junior Subordinated Bonds	7.800%	3/7/37	200,000	215,000 (a)
Metlife Inc., Junior Subordinated Notes	10.750%	8/1/39	500,000	737,500
XL Capital Ltd., Senior Notes	5.250%	9/15/14	1,000,000	1,030,702
Total Insurance				*2,082,827*
Real Estate Management & Development 0.4%				
Howard Hughes Corp., Senior Notes	6.875%	10/1/21	690,000	*717,600* (a)
Total Financials				**30,756,922**
Health Care 2.3%				
Health Care Equipment & Supplies 0.5%				
ConvaTec Finance International SA, Senior Notes	8.250%	1/15/19	340,000	348,075 (a)(b)
Lantheus Medical Imaging Inc., Senior Notes	9.750%	5/15/17	610,000	542,900
Total Health Care Equipment & Supplies				*890,975*
Health Care Providers & Services 1.8%				
Acadia Healthcare Co. Inc., Senior Notes	6.125%	3/15/21	520,000	533,000 (a)
HCA Holdings Inc., Senior Notes	6.250%	2/15/21	200,000	209,250
HCA Inc., Debentures	7.500%	11/15/95	185,000	160,025
HCA Inc., Notes	6.375%	1/15/15	430,000	451,500
HCA Inc., Notes	7.690%	6/15/25	90,000	94,050
IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes	8.375%	5/15/19	230,000	243,800
Physiotherapy Associates Holdings Inc., Senior Notes	11.875%	5/1/19	190,000	70,300 (a)(e)

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Health Care Providers & Services continued				
Radnet Management Inc., Senior Notes	10.375%	4/1/18	530,000	$ 528,675
Tenet Healthcare Corp., Senior Notes	8.125%	4/1/22	480,000	517,200
Tenet Healthcare Corp., Senior Secured Notes	6.000%	10/1/20	420,000	438,375 [(a)]
Total Health Care Providers & Services				*3,246,175*
Total Health Care				**4,137,150**
Industrials 11.3%				
Aerospace & Defense 0.6%				
Boeing Co., Notes	6.125%	2/15/33	600,000	711,677
GenCorp Inc., Secured Notes	7.125%	3/15/21	250,000	267,500
Total Aerospace & Defense				*979,177*
Airlines 7.7%				
Air 2 US, Notes	8.027%	10/1/19	1,591,513	1,655,173 [(a)]
Air Canada, Senior Secured Notes	8.750%	4/1/20	360,000	382,500 [(a)]
America West Airlines Inc., Pass-Through Certificates, Ambac Assurance Corp.	8.057%	7/2/20	1,717,039	1,837,232
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	231,000	231,578 [(a)]
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	134,835	151,689
Northwest Airlines Corp., Pass-Through Certificates	7.575%	3/1/19	368,085	418,696
United Airlines Inc., Pass-Through Certificates	6.900%	1/2/18	665,490	705,419
United Airlines Inc., Pass-Through Certificates	6.820%	5/1/18	718,890	749,892
United Airlines Inc., Pass-Through Certificates	6.545%	2/2/19	919,448	1,003,394
United Airlines Inc., Pass-Through Certificates	8.048%	11/1/20	490,116	560,545
United Airlines Inc., Pass-Through Certificates	6.703%	6/15/21	663,211	716,268
United Airlines Inc., Pass-Through Certificates, Secured Notes	6.250%	4/11/20	949,324	992,043
US Airways, Pass-Through Trust, Pass-Through Certificates	6.850%	1/30/18	2,082,883	2,176,613
US Airways, Pass-Through Trust, Secured Notes	7.125%	10/22/23	1,756,264	1,980,188
Total Airlines				*13,561,230*
Commercial Services & Supplies 0.4%				
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	590,000	649,000 [(a)]
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	72,000	79,200 [(a)]
Total Commercial Services & Supplies				*728,200*
Construction & Engineering 0.4%				
Michael Baker International LLC/CDL Acquisition Co. Inc., Senior Secured Notes	8.250%	10/15/18	470,000	481,750 [(a)]
OAS Investments GmbH, Senior Notes	8.250%	10/19/19	200,000	195,500 [(a)]
Total Construction & Engineering				*677,250*

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Electrical Equipment 0.2%				
International Wire Group Holdings Inc., Senior Secured Notes	8.500%	10/15/17	340,000	$ *358,700* [(a)]
Machinery 0.4%				
SPL Logistics Escrow LLC/SPL Logistics Finance Corp., Senior Secured Notes	8.875%	8/1/20	710,000	*754,375* [(a)]
Marine 1.2%				
Horizon Lines LLC, Senior Secured Notes	11.000%	10/15/16	1,682,000	1,677,795
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.125%	11/15/21	470,000	479,400 [(a)]
Total Marine				*2,157,195*
Trading Companies & Distributors 0.4%				
H&E Equipment Services Inc., Senior Notes	7.000%	9/1/22	590,000	*643,100*
Total Industrials				**19,859,227**
Information Technology 0.9%				
Computers & Peripherals 0.3%				
Hewlett-Packard Co., Senior Notes	4.650%	12/9/21	500,000	*514,838*
IT Services 0.4%				
Electronic Data Systems Corp., Notes	7.450%	10/15/29	500,000	562,559
First Data Corp., Senior Secured Notes	6.750%	11/1/20	150,000	156,000 [(a)]
Total IT Services				*718,559*
Semiconductors & Semiconductor Equipment 0.0%				
Freescale Semiconductor Inc., Senior Subordinated Notes	10.125%	12/15/16	28,000	*28,560*
Software 0.2%				
Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes	9.250%	1/15/18	340,000	*351,900* [(a)]
Total Information Technology				**1,613,857**
Materials 4.9%				
Chemicals 0.1%				
Braskem Finance Ltd., Senior Notes	5.375%	5/2/22	230,000	*214,590* [(a)]
Construction Materials 0.4%				
Cemex SAB de CV, Senior Secured Notes	9.000%	1/11/18	560,000	*614,600* [(a)]
Containers & Packaging 1.8%				
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	9.125%	10/15/20	415,000	452,350 [(a)]
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	7.000%	11/15/20	1,210,000	1,222,100 [(a)]
BOE Intermediate Holding Corp., Senior Notes	9.000%	11/1/17	167,280	174,389 [(a)(b)]
Exopack Holdings SA, Senior Notes	7.875%	11/1/19	590,000	601,800 [(a)]
Pactiv LLC, Senior Notes	7.950%	12/15/25	50,000	46,875
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	9.875%	8/15/19	630,000	700,875
Total Containers & Packaging				*3,198,389*

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Metals & Mining 1.9%				
AngloGold Ashanti Holdings PLC, Senior Notes	8.500%	7/30/20	220,000	$ 227,172
ArcelorMittal, Senior Notes	6.000%	3/1/21	460,000	487,600
Barrick Gold Corp., Senior Notes	4.100%	5/1/23	100,000	90,389
Cliffs Natural Resources Inc., Senior Notes	3.950%	1/15/18	960,000	969,403
Molycorp Inc., Senior Secured Notes	10.000%	6/1/20	490,000	486,325
Prince Mineral Holding Corp., Senior Secured Notes	11.500%	12/15/19	260,000	289,250 [(a)]
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes	7.375%	2/1/20	200,000	209,000 [(a)]
Vedanta Resources PLC, Senior Bonds	8.250%	6/7/21	580,000	582,175 [(a)]
Total Metals & Mining				*3,341,314*
Paper & Forest Products 0.7%				
Fibria Overseas Finance Ltd., Senior Notes	6.750%	3/3/21	540,000	588,600 [(a)]
Weyerhaeuser Co., Debentures	7.375%	3/15/32	560,000	685,247
Total Paper & Forest Products				*1,273,847*
Total Materials				**8,642,740**
Telecommunication Services 10.4%				
Diversified Telecommunication Services 9.7%				
AT&T Inc., Senior Notes	5.350%	9/1/40	170,000	168,203
Cincinnati Bell Telephone Co., Senior Debentures	6.300%	12/1/28	25,000	22,313
Intelsat Jackson Holdings SA, Senior Notes	5.500%	8/1/23	750,000	713,438 [(a)]
Level 3 Financing Inc., Senior Notes	8.625%	7/15/20	290,000	324,800
Level 3 Financing Inc., Senior Notes	6.125%	1/15/21	530,000	535,300 [(a)]
Orange, Notes	8.750%	3/1/31	600,000	828,404
Qwest Corp., Senior Notes	7.500%	10/1/14	150,000	157,446
Qwest Corp., Senior Notes	6.750%	12/1/21	2,000,000	2,189,928
Telecom Italia Capital SA, Senior Notes	7.175%	6/18/19	1,500,000	1,683,750
Telefonica Emisiones SAU, Senior Notes	5.134%	4/27/20	2,000,000	2,124,718
TW Telecom Holdings Inc., Senior Notes	6.375%	9/1/23	770,000	800,800 [(a)]
Verizon Communications Inc., Senior Notes	5.150%	9/15/23	4,330,000	4,649,086
Wind Acquisition Finance SA, Senior Notes	11.750%	7/15/17	1,500,000	1,595,625 [(a)]
Wind Acquisition Finance SA, Senior Secured Notes	7.250%	2/15/18	490,000	513,275 [(a)]
Windstream Corp., Senior Notes	6.375%	8/1/23	800,000	748,000
Total Diversified Telecommunication Services				*17,055,086*
Wireless Telecommunication Services 0.7%				
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	750,000	706,875
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	500,000	602,500 [(a)]
Total Wireless Telecommunication Services				*1,309,375*
Total Telecommunication Services				**18,364,461**

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Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Utilities 2.8%				
Electric Utilities 1.2%				
Centrais Eletricas Brasileiras SA, Senior Notes	5.750%	10/27/21	210,000	$ 203,962 [(a)]
FirstEnergy Corp., Notes	7.375%	11/15/31	1,770,000	1,923,254
Total Electric Utilities				*2,127,216*
Gas Utilities 0.0%				
Southern Natural Gas Co., Senior Notes	8.000%	3/1/32	20,000	*25,574*
Independent Power Producers & Energy Traders 1.6%				
AES Corp., Senior Notes	8.000%	6/1/20	100,000	117,000
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	559,000	610,708 [(a)]
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Secured Notes	12.250%	3/1/22	250,000	293,750 [(a)]
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	1,145,000	1,216,562
First Wind Holdings Inc., Senior Secured Notes	10.250%	6/1/18	436,000	477,420 [(a)]
Total Independent Power Producers & Energy Traders				*2,715,440*
Total Utilities				**4,868,230**
Total Corporate Bonds & Notes (Cost $118,237,441)				**125,013,417**
Asset-Backed Securities 24.2%				
AAA Trust, 2005-1A 1A3B	0.577%	2/27/35	472,236	364,359 [(a)(c)]
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	997,488	773,198
ACE Securities Corp., 2005-WF1 M1	0.585%	5/25/35	470,000	436,769 [(c)]
Ameriquest Mortgage Securities Inc., 2004-R1 A1B	0.965%	2/25/34	474,929	437,274 [(c)]
Ameriquest Mortgage Securities Inc., 2004-R9 M1	1.095%	10/25/34	226,384	226,121 [(c)]
Amortizing Residential Collateral Trust, 2004-1 A5	1.165%	10/25/34	194,183	190,594 [(c)]
Argent Securities Inc., 2003-W3 M1	1.290%	9/25/33	93,262	90,066 [(c)]
Associates Manufactured Housing Pass Through Certificates, 1997-CLB2	8.900%	6/15/28	2,219,197	2,200,888 [(f)]
Associates Manufactured Housing Pass-Through Certificates, 1997-1 B1	7.600%	6/15/28	243,369	260,108 [(c)]
Associates Manufactured Housing Pass-Through Certificates, 1997-2 B1	7.150%	3/15/28	1,224,501	1,453,767 [(c)]
Bank of America Manufactured Housing Contract Trust, 1997-2M	6.900%	4/10/28	74,577	80,275 [(c)]
Bayview Financial Asset Trust, 2004-SSRA A1	0.765%	12/25/39	235,633	222,349 [(a)(c)]
Bayview Financial Asset Trust, 2007-SR1A M1	0.965%	3/25/37	1,090,752	785,341 [(a)(c)]
Bayview Financial Asset Trust, 2007-SR1A M3	1.315%	3/25/37	413,734	277,202 [(a)(c)]
Bayview Financial Asset Trust, 2007-SR1A M4	1.665%	3/25/37	112,836	68,830 [(a)(c)]
Bear Stearns Asset Backed Securities Trust, 2006-SD3 1P0, STRIPS, PO	0.000%	8/25/36	593,657	383,515

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Centex Home Equity Loan Trust, 2003-B AF4	3.735%	2/25/32	349,152	$ 341,256
Citigroup Mortgage Loan Trust Inc., 2006-SHL1 A1	0.365%	11/25/45	111,271	106,366 (a)(c)
Contimortgage Home Equity Trust, 1997-4 B1F	7.330%	10/15/28	233,996	238,383
Countrywide Asset-Backed Certificates, 2004-3 3A3	0.925%	8/25/34	138,840	137,253 (c)
Countrywide Asset-Backed Certificates, 2006-3 3A1	0.285%	6/25/36	405,679	384,965 (c)
Countrywide Asset-Backed Certificates, 2007-13 2A1	1.065%	10/25/47	978,292	828,833 (c)
Countrywide Asset-Backed Certificates, 2007-SEA2 1A1	1.165%	8/25/47	45,467	36,397 (a)(c)
Credit-Based Asset Servicing and Securitization LLC, 2005-CB4 M1	0.585%	7/25/35	2,000,000	1,706,528 (c)
Credit-Based Asset Servicing and Securitization LLC, 2005-RP1 M1	0.785%	1/25/35	451,698	442,442 (a)(c)
CS First Boston Mortgage Securities Corp., 2004-CF2 2A1	0.635%	5/25/44	11,667	11,522 (a)(c)
Education Funding Capital Trust, 2004-1 B1	1.910%	6/15/43	1,200,000	1,092,120 (c)(f)
EMC Mortgage Loan Trust, 2003-B A1	0.715%	11/25/41	42,558	41,525 (a)(c)
Firstfed Corp. Manufactured Housing Contract, 1996-1 B	8.060%	10/15/22	869,045	774,562 (a)
GMAC Mortgage Corp. Loan Trust, 2004-VF1 A1	0.915%	2/25/31	199,971	189,646 (a)(c)
Green Tree Financial Corp., 1992-2 B	9.150%	1/15/18	19,219	2,650
Green Tree Financial Corp., 1993-1 B	8.450%	4/15/18	33,794	22,900
Green Tree Home Improvement Loan Trust, 1996-D HIB2	8.000%	9/15/27	21,800	17,358
Greenpoint Manufactured Housing, 1999-2 A2	2.929%	3/18/29	425,000	370,177 (c)
Greenpoint Manufactured Housing, 1999-3 2A2	3.556%	6/19/29	125,000	105,918 (c)
Greenpoint Manufactured Housing, 1999-4 A2	3.667%	2/20/30	125,000	105,669 (c)
Greenpoint Manufactured Housing, 1999-5 A5	7.820%	12/15/29	436,699	449,317 (c)
Greenpoint Manufactured Housing, 2001-2 IA2	3.669%	2/20/32	375,000	338,874 (c)
Greenpoint Manufactured Housing, 2001-2 IIA2	3.669%	3/13/32	625,000	554,734 (c)
GSAA Home Equity Trust, 2004-8 A3A	0.905%	9/25/34	172,440	169,522 (c)
GSAA Home Equity Trust, 2006-19 A3A	0.405%	12/25/36	650,055	385,060 (c)
GSAMP Trust, 2003-SEA2 A1	4.422%	7/25/33	1,543,051	1,512,712
GSRPM Mortgage Loan Trust, 2006-1 A1	0.465%	3/25/35	106,606	102,915 (a)(c)
GSRPM Mortgage Loan Trust, 2006-2 A2	0.465%	9/25/36	178,221	166,244 (a)(c)
Indymac Manufactured Housing Contract, 1997-1 A5	6.970%	2/25/28	142,077	140,842
Lehman XS Trust, 2007-1 WF1	5.200%	1/25/37	720,116	418,074 (c)
Long Beach Mortgage Loan Trust, 2004-4 M1	1.065%	10/25/34	1,620,000	1,522,035 (c)
Morgan Stanley ABS Capital I, 2003-SD1 A1	1.165%	3/25/33	19,765	18,633 (c)
Morgan Stanley Capital Inc., 2003-NC9 M	1.290%	9/25/33	1,328,692	1,220,770 (c)
Morgan Stanley Capital Inc., 2004-HE7 M1	1.065%	8/25/34	1,539,471	1,443,092 (c)
New Century Home Equity Loan Trust, 2004-2 A2	0.905%	8/25/34	475,320	444,628 (c)
New Century Home Equity Loan Trust, 2004-3 M1	1.095%	11/25/34	1,480,740	1,358,947 (c)

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Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Oakwood Mortgage Investors Inc., 2002-B A3	6.060%	6/15/32	198,759	$ 202,900 (c)
Option One Mortgage Loan Trust, 2003-2 A2	0.765%	4/25/33	323,805	296,581 (c)
Origen Manufactured Housing, 2006-A A2	2.368%	10/15/37	2,396,360	2,031,638 (c)
Origen Manufactured Housing, 2007-A A2	2.381%	4/15/37	2,754,208	2,279,691 (c)
PAMCO CLO, 1997-1A B	7.910%	8/6/13	730,478	153,400 (g)
Park Place Securities Inc., 2004-WCW1 M2	0.845%	9/25/34	1,377,678	1,358,491 (c)
Park Place Securities Inc., 2004-WHQ2 M2	1.110%	2/25/35	579,279	573,996 (c)
Pegasus Aviation Lease Securitization, 2000-1 A2	8.370%	3/25/30	1,600,000	548,000 (a)
Pennsylvania Higher Education Assistance Agency, 2003-1 B1	2.430%	7/25/42	3,000,000	2,961,474 (c)
People s Choice Home Loan Securities Trust, 2004-1 A3	1.205%	6/25/34	400,842	374,152 (c)
RAAC Series, 2007-RP1 M1	0.715%	5/25/46	210,000	131,635 (a)(c)
Renaissance Home Equity Loan Trust, 2004-2 AF4	5.392%	7/25/34	383,619	392,044
Renaissance Home Equity Loan Trust, 2005-2 AF5	5.201%	8/25/35	750,000	607,742
Renaissance Home Equity Loan Trust, 2005-3 AV3	0.545%	11/25/35	580,830	511,332 (c)
Residential Asset Mortgage Products Inc., 2004-RZ1 AII	0.645%	3/25/34	355,592	329,205 (c)
Residential Asset Securities Corp., 2001-KS3 AII	0.625%	9/25/31	235,410	222,206 (c)
Residential Asset Securities Corp., 2002-KS2 AI6	6.228%	4/25/32	248,075	254,256 (c)
Residential Asset Securities Corp., 2003-KS8 AI6	4.830%	10/25/33	259,657	257,792 (c)
Settlement Fee Finance LLC, 2004-1A A	9.100%	7/25/34	665,118	714,270 (a)
SLM Student Loan Trust, 2001-4 B	0.738%	1/25/21	983,704	979,526 (c)
Structured Asset Securities Corp., 2002-AL1 A3	3.450%	2/25/32	514,454	507,509
Structured Asset Securities Corp., 2003-AL1 A	3.357%	4/25/31	74,166	72,783 (a)
Structured Asset Securities Corp., 2005-4XS 2A1A	1.918%	3/25/35	424,047	427,410 (c)
Structured Asset Securities Corp., 2006-GEL3 A2	0.395%	7/25/36	907,780	894,951 (a)(c)
Total Asset-Backed Securities (Cost $37,508,734)				**42,536,509**
Collateralized Mortgage Obligations 16.6%				
American Home Mortgage Investment Trust, 2007-A 4A	0.615%	7/25/46	711,861	158,735 (a)(c)
Banc of America Funding Corp., 2004-B 6A1	2.420%	12/20/34	373,882	250,395 (c)
BCAP LLC Trust, 2009-RR12 2A2	0.530%	3/26/35	1,844,014	845,187 (a)(c)
Bear Stearns Adjustable Rate Mortgage Trust, 2004-1 23A1	5.420%	4/25/34	26,678	26,075 (c)
Bear Stearns Alt-A Trust, 2004-03 A1	0.805%	4/25/34	360,360	355,150 (c)
Bear Stearns Alt-A Trust, 2004-08 1A	0.865%	9/25/34	175,849	170,015 (c)
Bear Stearns Alt-A Trust, 2005-10 21A1	2.674%	1/25/36	843,396	606,601 (c)
Bear Stearns Asset Backed Securities Trust, 2002-AC1 B4	7.000%	1/25/32	633,622	233,852 (a)
Bella Vista Mortgage Trust, 2004-2 A1	0.535%	2/25/35	1,583,304	1,128,983 (c)
BlackRock Capital Finance LP, 1997-R2 B5	4.778%	12/25/35	106,868	4,756 (a)(c)(f)
Chevy Chase Mortgage Funding Corp., 2004-3A A1	0.415%	8/25/35	1,065,789	955,374 (a)(c)
Chevy Chase Mortgage Funding Corp., 2004-4A A1	0.395%	10/25/35	1,581,515	1,386,927 (a)(c)

See Notes to Financial Statements.

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
Chevy Chase Mortgage Funding Corp., 2005-4A A1	0.365%	10/25/36	1,383,310	$ 1,157,846 (a)(c)
Countrywide Home Loans, 2004-R2 1AF1	0.585%	11/25/34	290,350	251,443 (a)(c)
Countrywide Home Loans, 2005-7 1A1	0.705%	3/25/35	1,125,331	1,051,467 (c)
Countrywide Home Loans, 2006-HYB4 3B	2.674%	6/20/36	870,072	659,604 (c)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R1 1AF1	0.525%	3/25/35	483,301	421,116 (a)(c)
Credit Suisse Mortgage Capital Certificates, 2009-16R 4A1	2.568%	3/26/35	312,387	307,834 (a)(c)
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K007 X1, IO	1.217%	4/25/20	10,611,478	601,883 (c)
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K008 X1, IO	1.665%	6/25/20	615,960	49,305 (c)
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K009 X1, IO	1.490%	8/25/20	5,451,082	397,504 (c)
Greenpoint Mortgage Funding Trust, 2005-AR5 3A2	0.435%	11/25/46	323,861	861,470 (c)
GSMPS Mortgage Loan Trust, 2001-2 A	7.500%	6/19/32	1,219,326	1,281,342 (a)(c)
HarborView Mortgage Loan Trust, 2004-08 3A2	0.566%	11/19/34	114,221	85,775 (c)
HarborView Mortgage Loan Trust, 2004-10 4A	2.566%	1/19/35	304,244	302,621 (c)
HarborView Mortgage Loan Trust, 2005-9 B10	1.917%	6/20/35	578,586	6 (c)
Impac CMB Trust, 2004-9 1A1	0.925%	1/25/35	41,457	36,290 (c)
Impac CMB Trust, 2005-2 2A2	0.965%	4/25/35	169,848	161,968 (c)
Impac CMB Trust, 2A-10	0.805%	3/25/35	318,675	262,841 (c)
Indymac Manufactured Housing Contract, A2-2	6.170%	8/25/29	122,965	121,926
Jefferies & Co., 2009-B 9A	0.495%	11/21/35	61,003	339,492 (a)(c)(f)
JPMorgan Alternative Loan Trust, 2006-S1 3A4	6.180%	3/25/36	1,045,751	613,083 (c)
JPMorgan Mortgage Trust, 2005-A6 3A3	2.770%	9/25/35	630,000	547,801 (c)
JPMorgan Mortgage Trust, 2007-A2 4A2	5.218%	4/25/37	221,048	202,393 (c)
LB-UBS Commercial Mortgage Trust, 2001-C3 X, IO, STRIPS	0.504%	6/15/36	270,026	651 (a)(c)(h)
Luminent Mortgage Trust, 2006-6 A1	0.365%	10/25/46	763,529	649,926 (c)
MASTR Adjustable Rate Mortgages Trust, 2004-13 3A7	2.623%	11/21/34	1,617,896	1,654,295 (c)
MASTR ARM Trust, 2004-7 6M1	0.815%	8/25/34	528,013	491,874 (c)
Merit Securities Corp., 11PA 3A1	0.787%	4/28/27	122,367	105,882 (a)(c)
Merit Securities Corp., 11PA B3	2.417%	9/28/32	832,293	714,084 (a)(c)
Metropolitan Asset Funding Inc., 1998-BI B1	8.000%	11/20/24	539,235	402,784 (c)
Nomura Asset Acceptance Corp., 2004-AR4 1A1	2.658%	12/25/34	287,998	289,847 (c)
Prime Mortgage Trust, 2005-2 2XB, STRIPS, IO	1.743%	10/25/32	2,869,045	114,000 (c)
Prime Mortgage Trust, 2005-5 1X, STRIPS, IO	0.972%	7/25/34	5,211,764	27,747 (c)
Prime Mortgage Trust, 2005-5 1XB, STRIPS, IO	1.213%	7/25/34	929,141	7,679 (c)
Regal Trust IV, 1999-1 A	2.457%	9/29/31	48,631	44,752 (a)(c)

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Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
Residential Asset Mortgage Products Inc., 2005-SL2 AP0, STRIPS, PO	0.000%	2/25/32	103,788	$ 96,454
Sequoia Mortgage Trust, 2003-2 A2	1.039%	6/20/33	32,591	31,238 (c)
Sequoia Mortgage Trust, 2004-10 A1A	0.477%	11/20/34	24,089	23,700 (c)
Sequoia Mortgage Trust, 2004-11 A1	0.467%	12/20/34	37,177	36,036 (c)
Sequoia Mortgage Trust, 2004-12 A1	0.437%	1/20/35	303,438	277,766 (c)
Structured Asset Securities Corp., 1998-RF2 A	7.078%	7/15/27	293,980	295,431 (a)(c)
Structured Asset Securities Corp., 2002-9 A2	0.765%	10/25/27	647,291	639,732 (c)
Structured Asset Securities Corp., 2003-9A 2A2	2.370%	3/25/33	186,434	181,921 (c)
Structured Asset Securities Corp., 2004-NP1 A	0.965%	9/25/33	153,495	142,236 (a)(c)
Thornburg Mortgage Securities Trust, 2003-4 A1	0.805%	9/25/43	512,729	491,935 (c)
Thornburg Mortgage Securities Trust, 2004-03 A	0.905%	9/25/44	562,949	538,787 (c)
Thornburg Mortgage Securities Trust, 2007-4 3A1	6.102%	9/25/37	322,811	335,085 (c)
WaMu Mortgage Pass-Through Certificates, 2004-AR06 A	0.608%	5/25/44	484,215	452,646 (c)
WaMu Mortgage Pass-Through Certificates, 2004-AR08 A1	0.608%	6/25/44	335,843	306,034 (c)
WaMu Mortgage Pass-Through Certificates, 2004-AR13 A2A	0.558%	11/25/34	1,383,902	1,324,523 (c)
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-5 3A3	6.221%	7/25/36	742,495	397,869
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A2A	4.969%	9/25/36	1,151,320	702,474
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A3	4.969%	9/25/36	141,874	83,523
Washington Mutual Inc., 2004-AR12 A2A	0.578%	10/25/44	394,486	365,734 (c)
Washington Mutual Inc., 2005-AR8 2A1A	0.455%	7/25/45	336,575	314,610 (c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2004-AR02 A	1.543%	4/25/44	215,868	211,075 (c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2004-AR13 A1A	0.548%	11/25/34	984,053	950,611 (c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR13 A1A1	0.455%	10/25/45	276,392	255,898 (c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2006-AR5 3A	1.079%	7/25/46	895,695	500,565 (c)
Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A	7.000%	3/25/34	23,843	25,082
Total Collateralized Mortgage Obligations (Cost $24,678,941)				**29,321,546**
Mortgage-Backed Securities 0.2%				
FNMA 0.2%				
Federal National Mortgage Association (FNMA), Whole Loan (Cost $294,534)	6.500%	8/25/44	288,327	**323,623**

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Senior Loans 0.7%				
Consumer Discretionary 0.4%				
Hotels, Restaurants & Leisure 0.3%				
Equinox Holdings Inc., Second Lien Term Loan	9.750%	7/31/20	430,000	$ *435,375* (i)
Specialty Retail 0.1%				
Gymboree Corp., Initial Term Loan	5.000%	2/23/18	210,000	*195,930* (i)
Total Consumer Discretionary				**631,305**
Consumer Staples 0.1%				
Food Products 0.1%				
AdvancePierre Foods Inc., Second Lien Term Loan	9.500%	10/10/17	180,000	**172,800** (i)
Energy 0.0%				
Energy Equipment & Services 0.0%				
Frac Tech International LLC, Term Loan B	8.500%	5/6/16	40,000	**40,125** (i)
Materials 0.2%				
Chemicals 0.2%				
Kronos Inc., Second Lien Term Loan	9.750%	4/30/20	330,000	**341,275** (i)
Total Senior Loans (Cost $1,166,733)				**1,185,505**
Sovereign Bonds 8.5%				
Argentina 0.6%				
Republic of Argentina, Senior Bonds	7.000%	10/3/15	1,010,000	*987,469*
Brazil 1.9%				
Federative Republic of Brazil, Notes	10.000%	1/1/14	280,000 BRL	118,682
Federative Republic of Brazil, Notes	10.000%	1/1/17	3,870,000 BRL	1,550,655
Federative Republic of Brazil, Notes	10.000%	1/1/21	4,379,000 BRL	1,613,354
Total Brazil				*3,282,691*
Mexico 3.3%				
United Mexican States, Bonds	8.000%	6/11/20	11,147,000 MXN	953,883
United Mexican States, Bonds	6.500%	6/9/22	60,296,400 MXN	4,668,520
United Mexican States, Bonds	10.000%	12/5/24	2,750,000 MXN	268,949
Total Mexico				*5,891,352*
Russia 1.6%				
Russian Federal Bond, Bonds	7.400%	6/14/17	91,290,000 RUB	*2,829,654*
Turkey 0.3%				
Republic of Turkey, Senior Bonds	5.625%	3/30/21	210,000	210,840
Republic of Turkey, Senior Notes	6.250%	9/26/22	400,000	415,400
Total Turkey				*626,240*

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Venezuela 0.8%				
Bolivarian Republic of Venezuela, Senior Bonds	9.250%	9/15/27	1,750,000	$ 1,353,625
Bolivarian Republic of Venezuela, Senior Bonds	9.375%	1/13/34	2,000	1,483
Total Venezuela				*1,355,108*
Total Sovereign Bonds (Cost $16,854,369)				**14,972,514**
U.S. Government & Agency Obligations 3.8%				
U.S. Government Obligations 3.8%				
U.S. Treasury Bonds	3.625%	8/15/43	810,000	764,944
U.S. Treasury Notes	0.250%	2/15/15	2,000,000	2,001,406
U.S. Treasury Notes	0.250%	2/28/15	4,000,000	4,002,500
Total U.S. Government & Agency Obligations (Cost $6,770,049)				**6,768,850**
			Shares	
Common Stocks 0.9%				
Financials 0.7%				
Diversified Financial Services 0.7%				
Citigroup Inc.			25,131	**1,309,576**
Industrials 0.2%				
Building Products 0.0%				
Nortek Inc.			109	*8,131* *
Marine 0.2%				
DeepOcean Group Holding AS			8,860	*291,986* (f)(h)
Total Industrials				**300,117**
Total Common Stocks (Cost $962,500)				**1,609,693**
Preferred Stocks 1.5%				
Financials 1.5%				
Consumer Finance 0.9%				
GMAC Capital Trust I	8.125%		62,722	*1,677,186* (c)
Diversified Financial Services 0.6%				
Citigroup Capital XIII	7.875%		37,975	1,034,819 (c)
Corporate-Backed Trust Certificates, Series 2001-8, Class A-1	7.375%		33,900	68 *
Total Diversified Financial Services				*1,034,887*
Thrifts & Mortgage Finance 0.0%				
Federal Home Loan Mortgage Corp. (FHLMC)	0.000%		100	1,370 *(c)
Federal Home Loan Mortgage Corp. (FHLMC)	5.000%		200	2,820 *
Total Thrifts & Mortgage Finance				*4,190*
Total Preferred Stocks (Cost $2,679,927)				**2,716,263**
Total Investments before Short-Term Investments (Cost $209,153,228)				**224,447,920**

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Short-Term Investments 10.9%				
Repurchase Agreements 10.9%				
Bank of America repurchase agreement dated 12/31/13; Proceeds at maturity $2,099,000; (Fully collateralized by U.S. government obligations, 6.125% due 11/15/27; Market value $2,140,980)	0.001%	1/2/14	2,099,000	$ 2,099,000
Barclays Capital Inc. repurchase agreement dated 12/31/13; Proceeds at maturity $17,081,009; (Fully collateralized by U.S. government obligations, 2.000% due 4/30/16; Market value $17,421,545)	0.010%	1/2/14	17,081,000	17,081,000
Total Short-Term Investments (Cost $19,180,000)				**19,180,000**
Total Investments 138.3% (Cost $228,333,228#)				**243,627,920**
Other Assets in Excess of Liabilities 2.6%				4,564,025
Liquidation value of Preferred Shares (40.9)%				(72,000,000)
Total Net Assets 100.0%				**$ 176,191,945**

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

* Non-income producing security.

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

(b) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional debt securities.

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

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

(e) The coupon payment on these securities is currently in default as of December 31, 2013.

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

(g) The maturity principal is currently in default as of December 31, 2013.

(h) Illiquid security (unaudited).

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

Aggregate cost for federal income tax purposes is $228,407,566.

Abbreviations used in this schedule:

ARM	Adjustable Rate Mortgage
BRL	Brazilian Real
CLO	Collateral Loan Obligation
CMB	Cash Management Bill
EUR	Euro
IO	Interest Only
MXN	Mexican Peso
PO	Principal Only
RUB	Russian Ruble
STRIPS	Separate Trading of Registered Interest and Principal Securities

See Notes to Financial Statements.

Statement of assets and liabilities

December 31, 2013

Assets:	
Investments, at value (Cost $209,153,228)	$ 224,447,920
Repurchase agreements, at value (Cost $19,180,000)	19,180,000
Foreign currency, at value (Cost $580,069)	566,924
Cash	60,962
Interest receivable	2,615,278
Receivable for insurance proceeds (Note 10)	1,549,104
Receivable for securities sold	926,251
Deposits with brokers for open futures contracts	56,003
Principal paydown receivable	53,952
Receivable from broker variation margin on open futures contracts	5,672
Prepaid expenses	40,999
Total Assets	***249,503,065***
Liabilities:	
Payable for securities purchased	952,734
Investment management fee payable	116,067
Unrealized depreciation on forward foreign currency contracts	74,131
Distributions payable to Auction Rate Preferred stockholders	19,444
Trustees fees payable	84
Accrued expenses	148,660
Total Liabilities	***1,311,120***
Preferred Shares:	
No par value, 2,880 shares authorized, issued and outstanding, $25,000 liquidation value per share (Note 6)	72,000,000
Total Net Assets	**$ 176,191,945**
Net Assets:	
Common shares, no par value, unlimited number of shares authorized, 11,895,590 shares issued and outstanding (Note 5)	166,140,158
Undistributed net investment income	7,019,971
Accumulated net realized loss on investments, futures contracts, swap contracts and foreign currency transactions	(12,245,353)
Net unrealized appreciation on investments, futures contracts and foreign currencies	15,277,169
Total Net Assets	**$ 176,191,945**
Shares Outstanding	11,895,590
Net Asset Value	$14.81

See Notes to Financial Statements.

Statement of operations

For the Year Ended December 31, 2013

Investment Income:	
Interest	$ 15,572,437
Dividends	174,853
Total Investment Income	***15,747,290***
Expenses:	
Investment management fee (Note 2)	1,372,807
Excise tax (Note 1)	260,977
Legal fees	132,158
Audit and tax	78,203
Fund accounting fees	49,130
Transfer agent fees	43,735
Shareholder reports	37,102
Auction participation fees	36,230
Rating agency fees	29,839
Trustees fees	22,689
Stock exchange listing fees	19,704
Custody fees	16,396
Auction agent fees	12,488
Insurance	4,546
Miscellaneous expenses	9,238
Total Expenses	***2,125,242***
Net Investment Income	**13,622,048**
Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	2,739,694
Futures contracts	(118,902)
Swap contracts	(127,260)
Foreign currency transactions	(112,040)
Net Realized Gain	***2,381,492***
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(2,718,614)
Futures contracts	75,502
Foreign currencies	(31,293)
Change in Net Unrealized Appreciation (Depreciation)	***(2,674,405)***
Net Loss on Investments, Futures Contracts, Swap Contracts and Foreign Currency Transactions	**(292,913)**
Distributions Paid to Auction Rate Preferred Stockholders From Net Investment Income	(109,226)
Increase in Net Assets from Operations	**$ 13,219,909**

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended December 31,	2013	2012
Operations:		
Net investment income	$ 13,622,048	$ 13,824,361
Net realized gain	2,381,492	5,917,786
Change in net unrealized appreciation (depreciation)	(2,674,405)	17,096,671
Distributions paid to auction rate preferred stockholders from net investment income	(109,226)	(161,617)
Increase in Net Assets From Operations	***13,219,909***	***36,677,201***
Distributions to Shareholders From (Note 1):		
Net investment income	(13,551,587)	(15,583,956)
Decrease in Net Assets From Distributions to Shareholders	***(13,551,587)***	***(15,583,956)***
Fund Share Transactions:		
Reinvestment of distributions (20,226 and 46,866 shares issued, respectively)	309,192	715,544
Increase in Net Assets From Fund Share Transactions	***309,192***	***715,544***
Increase (Decrease) in Net Assets	***(22,486)***	***21,808,789***
Net Assets:		
Beginning of year	176,214,431	154,405,642
End of year*	**$ 176,191,945**	**$ 176,214,431**
* Includes undistributed net investment income of:	$7,019,971	$7,223,926

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout each year ended December 31:	2013	2012	2011	2010	2009
Net asset value, beginning of year	$14.84	$13.05	$13.96	$12.39	$8.72
Income (loss) from operations:					
Net investment income[1]	1.15	1.16	1.32	1.47	1.64
Net realized and unrealized gain (loss)	(0.03)	1.96	(0.73)	1.57	3.33
Distributions paid to auction rate preferred stockholders from:					
Net investment income	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Total income from operations	***1.11***	***3.11***	***0.58***	***3.02***	***4.95***
Less distributions from:					
Net investment income	(1.14)	(1.32)	(1.49)	(1.45)	(1.28)
Total distributions	***(1.14)***	***(1.32)***	***(1.49)***	***(1.45)***	***(1.28)***
Net asset value, end of year	$14.81	$14.84	$13.05	$13.96	$12.39
Market price, end of year	$14.53	$15.54	$15.95	$14.13	$13.36
Total return, based on NAV[2,3]	***7.71%***	***24.90%***	***4.12%***	***25.50%***	***60.98%***
Total return, based on Market Price[4]	***0.97%***	***6.16%***	***24.87%***	***17.56%***	***68.84%***
Net assets, end of year (000s)	$176,192	$176,214	$154,406	$163,814	$143,859
Ratios to average net assets:[5,6]					
Gross expenses	1.20%	1.19%	1.30%	1.38%	1.95%
Net expenses[7]	1.20	1.19	1.30	1.38	1.95
Net investment income	7.68	8.33	9.45	11.12	15.94
Portfolio turnover rate	**36%**	**36%**	**18%**	**33%**	**29%**
Auction Rate Preferred Stock:					
Total Amount Outstanding (000s)	$72,000	$72,000	$72,000	$72,000	$72,000
Asset Coverage[8]	345%	345%	314%	327%	300%
Involuntary Liquidating Preference Per Share (000s)	25	25	25	25	25

1 Per share amounts have been calculated using the average shares method.

2 Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

3 The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.

4 The total return calculation assumes that distributions are reinvested in accordance with the Fund s dividend reinvestment plan. Past performance is no guarantee of future results.

5 Calculated on the basis of average net assets of common stock shareholders. Ratios do not reflect the effect of dividend payments to preferred stockholders.

See Notes to Financial Statements.

Financial highlights (cont d)

[6] Gross expenses reflects operating expenses prior to any voluntary expense waivers and/or compensating balance arrangements. Net expenses reflects expenses less any compensating balance arrangements and/or voluntary expense waivers.

[7] The impact of compensating balance arrangements, if any, was less than 0.01%.

[8] Asset coverage on preferred shares equals net assets of common shares plus the redemption value of the preferred shares divided by the value of outstanding preferred stock.

See Notes to Financial Statements.

Notes to financial statements

1. Organization and significant accounting policies

Western Asset Premier Bond Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company. The Fund commenced investment operations on March 28, 2002.

The Fund s investment objective is to provide current income and capital appreciation by investing primarily in a diversified portfolio of investment grade bonds.

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

(a) Investment valuation. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment s fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund s Board of Trustees.

The Board of Trustees is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies

Notes to financial statements (cont d)

adopted by the Board of Trustees, is responsible for making fair value determinations, evaluating the effectiveness of the Fund s pricing policies, and reporting to the Board of Trustees. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer s financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Trustees, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Trustees quarterly.

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.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed 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 methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

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

ASSETS

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments :				
Corporate bonds & notes		$ 125,013,417		$ 125,013,417
Asset-backed securities		39,243,501	$ 3,293,008	42,536,509
Collateralized mortgage obligations		29,316,790	4,756	29,321,546
Mortgage-backed securities		323,623		323,623
Senior loans		1,185,505		1,185,505
Sovereign bonds		14,972,514		14,972,514
U.S. government & agency obligations		6,768,850		6,768,850
Common stocks:				
Financials	$ 1,309,576			1,309,576
Industrials	8,131		291,986	300,117
Preferred stocks	2,716,195	68		2,716,263
Total long-term investments	$ 4,033,902	$ 216,824,268	$ 3,589,750	$ 224,447,920
Short-term investments		19,180,000		19,180,000
Total investments	**$ 4,033,902**	**$ 236,004,268**	**$ 3,589,750**	**$ 243,627,920**
Other financial instruments:				
Futures contracts	75,502			75,502
Total	**$ 4,109,404**	**$ 236,004,268**	**$ 3,589,750**	**$ 243,703,422**

LIABILITIES

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Forward foreign currency contracts		$ 74,131		$ 74,131

See Schedule of Investments for additional detailed categorizations.

Notes to financial statements (cont d)

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

Investments in Securities	Corporate Bonds & Notes	Asset-Backed Securities	Collateralized Mortgage Obligations	Common Stocks	Preferred Stocks	Total
Balance as of December 31, 2012	$ 1,806,145	$ 4,896,968	$ 3,333	$ 179,616	$ 0*	$ 6,886,062
Accrued premiums/discounts	(7,277)	67,386	16,143			76,252
Realized gain (loss)[1]		(41,605)	(38,423)			(80,028)
Change in unrealized appreciation (depreciation)[2]	(43,699)	(238,781)	14,077	112,370		(156,033)
Purchases			9,626			9,626
Sales	(190,027)	(1,237,560)			(0)*	(1,427,587)
Transfers into Level 3[3]						
Transfers out of Level 3[4]	(1,565,142)	(153,400)				(1,718,542)
Balance as of December 31, 2013		**$ 3,293,008**	**$ 4,756**	**$ 291,986**		**$ 3,589,750**
Net change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2013[2]		$ (191,136)	$ 14,077	$ 112,370		$ (64,689)

The Fund s policy is to recognize transfers between levels as of the end of the reporting period.

* Value is less than $1.

[1] This amount is included in net realized gain (loss) from investment transactions in the accompanying Statement of Operations.

[2] This amount is included in the change in net unrealized appreciation (depreciation) in the accompanying Statement of Operations. 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.

[3] Transferred into Level 3 as a result of the unavailability of a quoted price in an active market for an identical investment or the unavailability of other significant observable inputs.

[4] Transferred out of Level 3 as a result of the availability of a quoted price in an active market for an identical investment or the availability of other significant observable inputs.

(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) 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.

(d) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund s basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund s basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. 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.

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

Notes to financial statements (cont d)

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

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

(f) Stripped securities. The Fund may invest in Stripped Securities, a term used collectively for components, or strips, of fixed income securities. Stripped securities can be principal only securities (PO), which are debt obligations that have been stripped of unmatured interest coupons, or interest only securities (IO), which are unmatured interest coupons that have been stripped from debt obligations. The market value of Stripped Securities will fluctuate in response to changes in economic conditions, rates of pre-payment, interest rates and the market s perception of the securities. However, fluctuations in response to interest rates may be greater in Stripped Securities than for debt obligations of comparable maturities that pay interest currently. The amount of fluctuation may increase with a longer period of maturity.

The yield to maturity on IO s is sensitive to the rate of principal repayments (including prepayments) on the related underlying debt obligation and principal payments may have a material effect on yield to maturity. If the underlying debt obligation experiences greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IO s.

(g) Inflation-indexed bonds. Inflation-indexed bonds are fixed-income securities whose principal value or interest rate is periodically adjusted according to the rate of inflation. As the index measuring inflation changes, the principal value or interest rate of inflation-indexed bonds will be adjusted accordingly. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as an increase or decrease to investment income on the Statement of Operations. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

(h) Swap agreements. The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with other portfolio transactions.

Swap agreements are privately negotiated in the over-the-counter market (OTC Swaps) or may be executed on a registered exchange (Centrally Cleared Swaps). Unlike Centrally Cleared Swaps, the Fund has credit exposure to the counterparties of OTC Swaps.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of Centrally Cleared Swaps, if any, is recorded as a receivable or payable for variation margin on the Statement of Assets and Liabilities. Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund s custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments and restricted cash, if any, is identified on the Statement of Assets and Liabilities. Risks may exceed amounts recorded in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts terms, and the possible lack of liquidity with respect to the swap agreements.

OTC swap payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the Statement of Assets and Liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the Statement of Operations.

The Fund s maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of December 31, 2013, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the year ended December 31, 2013, see Note 4.

Credit default swaps

The Fund enters into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer s default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of

Notes to financial statements (cont d)

the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to Financial Statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

The Fund s maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund s exposure to the counterparty). As the protection seller, the Fund s maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

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

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

(j) Foreign currency translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

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

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

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

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

Notes to financial statements (cont d)

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 the 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.

(l) Foreign investment risks. The Fund s investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Fund. Foreign investments may also subject the Fund to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

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

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

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Fund under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral, if any, for the same purpose are noted in the Schedule of Investments.

Absent an event of default by the counterparty or a termination of the agreement, the master agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

As of December 31, 2013, the Fund held forward foreign currency contracts with credit related contingent features which had a liability position of $74,131. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties.

(n) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

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

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

(q) Single sourced securities. Certain securities held by the Fund at December 31, 2013 are valued based on a price provided by a single source or dealer. The prices provided may differ from the value that would be realized if the securities were sold. As of December 31, 2013, 3.04% of the securities held by the Fund were either fair valued securities or were valued based on a price provided by a single independent pricing service or dealer (single source securities).

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

However, due to the timing of when distributions are made by the Fund, the Fund may be subject to an excise tax of 4% of the amount by which 98% of the Fund s annual taxable income and 98.2% net realized gains exceed the distributions from such taxable income and

Notes to financial statements (cont d)

realized gains for the calendar year. The Fund paid $260,978 of Federal excise taxes attributable to calendar year 2012 in March 2013. Additionally, the Fund accrued $260,978 of federal excise tax in calendar year 2013.

Management has analyzed the Fund s tax positions taken on income tax returns for all open tax years and has concluded that as of December 31, 2013, no provision for income tax is required in the Fund s financial statements. The Fund s federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

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

	Overdistributed/ Undistributed Net Investment Income	Undistributed Realized Gains/ Accumulated Net Realized Loss/Gain	Paid-in Capital
(a)	$ 260,978		$ (260,978)
(b)	(426,168)	$ 426,168	

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

(b) Reclassifications are primarily due to foreign currency transactions treated as ordinary income for tax purposes, losses from mortgage backed securities treated as capital losses for tax purposes and book/tax differences in the treatment of swaps.

2. Investment management agreement and other transactions with affiliates

The Fund has a management agreement with Western Asset Management Company (Western Asset). Pursuant to the terms of the management agreement, the Fund pays Western Asset an annual fee, payable monthly, in an amount equal to 0.55% of the average weekly value of the Fund s total managed assets. Total managed assets means the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities. The liquidation preference of any Preferred Shares outstanding is not considered a liability. Pursuant to a Portfolio Management Agreement between Western Asset and Western Asset Management Company Limited (WAML), Western Asset pays a portion of the fees it receives from the Fund to WAML at an annual rate of 0.425% of the average weekly value of the Fund s total managed assets that WAML manages. Western Asset Management Company Pte. Ltd. (Western Singapore) and Western Asset Management Company Ltd (Western Japan) are additional subadvisers to the Fund under portfolio management agreements between Western Asset and Western Singapore, and Western Asset and Western Japan.

Western Singapore and Western Japan provide certain subadvisory services to the Fund relating to currency transactions and investments in non-U.S. dollar-denominated securities and related foreign currency instruments in Asia (excluding Japan) and Japan, respectively.

Under the terms of the administration services agreement among the Fund, Western Asset and Legg Mason Partners Fund Adviser, LLC (LMPFA), Western Asset (not the Fund) pays LMPFA, a monthly fee at an annual rate of 0.125% of the Fund s average weekly total managed assets, subject to a monthly minimum fee of $12,500.

LMPFA, Western Asset, WAML, Western Singapore and Western Japan are wholly-owned subsidiaries of Legg Mason, Inc.

3. Investments

During the year ended December 31, 2013, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S Government & Agency Obligations were as follows:

	Investments	U.S. Government & Agency Obligations
Purchases	$ 75,827,004	$ 6,770,586
Sales	81,668,796	

At December 31, 2013, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	$ 22,008,945
Gross unrealized depreciation	(6,788,591)
Net unrealized appreciation	**$ 15,220,354**

At December 31, 2013, written option transactions for the Fund were as follows:

	Notional Amount	Premiums
Written options, outstanding as of December 31, 2012		
Options written	$ 1,700,000	$ 14,110
Options closed		
Options exercised	(1,700,000)	(14,110)
Options expired		
Written options, outstanding as of December 31, 2013		

At December 31, 2013, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Gain
Contracts to Sell:					
U.S. Treasury 10-Year Notes	33	3/14	$ 4,136,049	$ 4,060,547	$ 75,502

At December 31, 2013, the Fund had the following open forward foreign currency contracts:

Foreign Currency	Counterparty	Local Currency	Market Value	Settlement Date	Unrealized Loss
Contracts to Sell:					
Euro	JPMorgan Chase Bank	1,800,000	$ 2,476,213	2/18/14	$ (74,131)

Notes to financial statements (cont d)

4. Derivative instruments and hedging activities

GAAP requires enhanced disclosure about an entity s derivative and hedging activities.

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at December 31, 2013.

ASSET DERIVATIVES[1]

	Interest Rate Risk
Futures contracts [2]	$ 75,502

LIABILITY DERIVATIVES[1]

	Foreign Exchange Risk
Forward foreign currency contracts	$ 74,131

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

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

The following tables provide information about the effect of derivatives and hedging activities on the Fund s Statement of Operations for the year ended December 31, 2013. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund s derivatives and hedging activities during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total
Futures contracts	$ (118,902)			$ (118,902)
Swap contracts			$ (127,260)	(127,260)
Forward foreign currency contracts		$ (83,407)		(83,407)
Total	**$ (118,902)**	**$ (83,407)**	**$ (127,260)**	**$ (329,569)**

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Total
Futures contracts	$ 75,502		$ 75,502
Forward foreign currency contracts		$ (12,431)	(12,431)
Total	**$ 75,502**	**$ (12,431)**	**$ 63,071**

During the year ended December 31, 2013, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Written options	$ 3,906
Futures contracts (to sell)	1,274,744
Forward foreign currency contracts (to sell)	2,393,186
	Average Notional Balance
Credit default swap contracts (to buy protection)	$784,615

At December 31, 2013, there were no open positions held in this derivative.

The following table presents by financial instrument, the Fund s derivative assets net of the related collateral held by the Fund at December 31, 2013:

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities[1]	Collateral Received	Net Amount
Futures contracts[2]	$ 5,672		$ 5,672

The following table presents by financial instrument, the Fund s derivative liabilities net of the related collateral pledged by the Fund at December 31, 2013:

	Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities[1]	Collateral Pledged	Net Amount
Forward foreign currency contracts	$ 74,131		$ 74,131

[1] Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

[2] Amount represents the current day s variation margin as reported in the Statement of Assets and Liabilities. It differs from the cumulative appreciation (depreciation) presented in the previous table.

5. Common shares

Of the 11,895,590 shares of common stock outstanding at December 31, 2013, the Investment Adviser owned 20,723 shares.

6. Preferred shares

There are 2,880 shares of Auction Market Preferred Shares (Preferred Shares) authorized. The Preferred Shares have rights as set forth in the Fund s Agreement and Declaration of Trust, as amended to date, and its Bylaws, as amended to date (the Bylaws), or as otherwise determined by the Trustees. The 2,880 Preferred Shares outstanding consist of two series, 1,440 shares of Series M and 1,440 shares of Series W. The Preferred Shares have a liquidation value of $25,000 per share, plus any accumulated but unpaid dividends whether or not earned or declared.

Dividends on the Series M and Series W Preferred Shares are cumulative and are paid at a rate typically reset every seven and twenty-eight days, respectively, based on the results of

Notes to financial statements (cont d)

an auction. The weekly auctions for Series M and W have all failed during the year ended December 31, 2013; consequently, the dividend rate paid on the preferred shares has moved to the maximum rate as defined in the prospectus. Since mid-February 2008, holders of auction-rate preferred shares (ARPS) issued by the Fund have been impacted by the lack of liquidity, which has similarly affected ARPS holders in many of the nation s closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Fund have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and ARPS holders have continued to receive dividends at the defined maximum rate . The maximum rate is calculated at 200% of the reference rates, which is the 7-day AA Financial Composite Commercial Paper rate for Series M and the 30-day AA Commercial Paper rate for Series W. Dividend rates ranged from 0.08% to 0.24% between January 1, 2013 to December 31, 2013.

The Preferred Shares are redeemable at the option of the Fund, in whole or in part, on the second business day preceding any dividend payment date at $25,000 per share plus any accumulated but unpaid dividends.

The Fund is subject to certain restrictions relating to the Preferred Stock. The Fund may not declare dividends or make other distributions on shares of common stock or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Preferred Stock would be less than 200%. The Preferred Stock is also subject to mandatory redemption at $25,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in Bylaws are not satisfied.

The Preferred Stock Shareholders are entitled to one vote per share and generally vote with the common shareholders but vote separately as a class to elect two trustees and on certain matters affecting the rights of the Preferred Stock. The issuance of Preferred Stock poses certain risks to holders of common stock, including, among others, the possibility of greater market price volatility, and in certain market conditions, the yield to holders of common stock may be adversely affected. The Fund is required to maintain certain asset coverages with respect to the Preferred Stock. If the Fund fails to maintain these coverages and does not cure any such failure within the required time period, the Fund is required to redeem a requisite number of shares of the Preferred Stock in order to meet the applicable requirement. The Preferred Stock is otherwise not redeemable by holders of the shares. Additionally, failure to meet the foregoing asset coverage requirements would restrict the Fund s ability to pay dividends to common shareholders.

After each auction, the auction agent will pay to each broker/dealer, from monies the Fund provides, a participation fee. For the previous periods since the ARPS have been outstanding, the participation fee has been paid at the annual rate of 0.25% of the purchase price of the ARPS that the broker/dealer places at the auction. Since January 1, 2010, the participation fee has been reduced to an annual rate of 0.05% of the purchase price of the ARPS, in the case of failed auctions.

7. Trustee compensation

Each Trustee of the Fund who is not an interested person (as defined in the 1940 Act) of the Fund, Western Asset, WAML, Western Singapore or Western Japan receives an aggregate fee of $75,000 annually for serving on the combined Board of Trustees/Directors of the Fund, Western Asset Funds, Inc. and Western Asset Income Fund. Each Trustee also receives a fee of $7,500 and related expenses for each meeting of the Board or of a committee attended in-person and a fee of $2,500 for participating in each telephonic meeting. The Chairman of the Board receives an additional $30,000 per year for serving in such capacity.

The Chairman of the Audit Committee receives an additional $25,000 per year for serving in such capacity. Each member of the Audit Committee receives a fee of $6,000 for serving as a member of the Audit Committee. Other committee members receive a fee of $3,000 for serving as a member of each committee upon which they serve. All such fees are allocated among the Fund, Western Asset Funds, Inc. and Western Asset Income Fund according to each such investment company s average annual net assets.

Trustee Ronald Olson receives from Western Asset an aggregate fee of $75,000 annually for serving on the combined Board of Trustees/Directors of the Fund, Western Asset Funds, Inc. and Western Asset Income Fund, as well as a fee of $7,500 and related expenses for each meeting of the Board attended in person and a fee of $2,500 for participating in each telephonic meeting.

8. Distributions

On November 20, 2013, the Fund s Board of Trustees declared two distributions, each in the amount of $0.09 per share, payable on January 31, 2014 and February 28, 2014 to shareholders of record on January 24, 2014 and February 21, 2014, respectively.

9. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal years ended December 31, were as follows:

	2013	2012
Distributions Paid to Common Shareholders From:		
Ordinary income	$ 13,551,587	$ 15,583,956
Distributions Paid to Preferred Shareholders From:		
Ordinary income	109,226	161,617
Total distributions paid	**$ 13,660,813**	**$ 15,745,573**

Notes to financial statements (cont d)

As of December 31, 2013, the components of accumulated earnings on a tax basis were as follows:

Undistributed ordinary income net	$ 7,111,548
Deferred Capital Losses*	(307,972)
Capital loss carryforward**	$ (11,853,096)
Other book/tax temporary differences[(a)]	(101,524)
Unrealized appreciation (depreciation)[(b)]	15,202,831
Total accumulated earnings (losses) net	**$ 10,051,787**

* These capital losses have been deferred in the current year as either short-term or long-term losses. The losses will be deemed to occur on the first day of the next taxable year in the same character as they were originally deferred.

** During the taxable year ended December 31, 2013, the Fund utilized $ 3,187,729 of its capital loss carryforward available from prior years. As of December 31, 2013, the Fund had the following net capital loss carryforwards remaining:

Year of Expiration	Amount
12/31/2017	$ (11,853,096)

This amount will be available to offset any future taxable capital gains.

(a) Other book/tax temporary differences are attributable primarily to the realization for tax purposes of unrealized gains/(losses) on certain futures and foreign currency contracts, differences between book/tax difference in the accrual of interest income on securities in default and book/tax differences in the timing of the deductibility of various expenses.

(b) The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales and book/tax differences in the accrual of income on certain securities.

10. Other

GreenPoint Mortgage Pass Through Certificates (GreenPoint) was a mortgage-backed security previously held by the Fund. GreenPoint was insured through a policy issued by AMBAC Assurance Corporation to cover certain interest shortfalls and realized losses. In August 2013, the final paydown was received from GreenPoint resulting in a loss to the Fund. A receivable for $1,549,104 has been recorded representing the estimated insurance proceeds to be paid to the Fund.

11. Recent accounting pronouncement

The Fund has adopted the disclosure provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-11 (ASU 2011-11), *Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities* along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 (ASU 2013-01) entitled *Balance Sheet (Topic 210) Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of assets and liabilities or subject to a master netting agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11 s disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions.

Report of independent registered public accounting firm

To the Board of Trustees and Shareholders of Western Asset Premier Bond Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Western Asset Premier Bond Fund (the Fund) at December 31, 2013, the results of its operations, the changes in its net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Fund s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland

February 21, 2014

Board approval of management and subadvisory agreements (unaudited)

The Executive and Contracts Committee of the Board of Trustees considered the Investment Management Agreement (the Management Agreement) between the Fund and Western Asset Management Company (Western Asset) and the Portfolio Management Agreements (together with the Management Agreement, the Agreements) between Western Asset and each of Western Asset Management Company Limited in London (WAML), Western Asset Management Company Pte. Ltd. in Singapore (Western Singapore) and Western Asset Management Company Ltd in Japan (Western Japan, and together with Western Singapore and WAML the Non-U.S. Advisers and together with Western Asset, the Advisers) with respect to the Fund at meetings held on September 17, 2013 and October 22 and 30, 2013. At a meeting held on November 19, 2013, the Executive and Contracts Committee reported to the full Board of Trustees its considerations and recommendation with respect to the Agreements, and the Board of Trustees, including a majority of the Independent Trustees, considered and approved renewal of the Agreements.

The Trustees noted that although Western Asset s business is operated through separate legal entities, such as the Non-U.S. Advisers, its business is highly integrated and senior investment personnel at Western Asset have supervisory oversight responsibility over the investment decisions made by the Non-U.S. Advisers. Therefore, in connection with their deliberations noted below, the Trustees primarily focused on the information provided by Western Asset when considering the approval of the Portfolio Management Agreements. The Trustees also noted that the Fund does not pay any management fees directly to any of the Non-U.S. Advisers because Western Asset pays the Non-U.S. Advisers for services provided to the Fund out of the management fee Western Asset receives from the Fund.

In arriving at their decision to renew the Agreements, the Trustees met with representatives of Western Asset, including relevant investment advisory personnel; reviewed a variety of information prepared by Western Asset and materials provided by Lipper Inc. (Lipper) and counsel to the Independent Trustees; and reviewed performance and expense information for a peer group of comparable funds selected and prepared by Lipper and for certain other comparable products available from Western Asset, including separate accounts managed by Western Asset. These reviews were in addition to information obtained by the Trustees at their regular quarterly meetings with respect to the Fund s performance and other relevant matters, such as information on differences between the Fund s share price and net asset value per share, and related discussions with the Advisers personnel.

As part of their review, the Trustees examined the Advisers ability to provide high quality investment management services to the Fund. The Trustees considered the investment philosophy and research and decision-making processes of the Advisers; the experience of their key advisory personnel responsible for management of the Fund; the ability of the Advisers to attract and retain capable research and advisory personnel; the capability and integrity of the Advisers senior management and staff; and the level of skill required to manage the Fund. In addition, the Trustees reviewed the quality of the Advisers services with respect to regulatory compliance and compliance with the investment policies of the Fund and conditions that might affect the Advisers ability to provide high quality services to the Fund in the future under the Agreements, including their business reputation, financial condition and operational stability. Based on the foregoing, the Trustees concluded that the Advisers investment process, research capabilities and philosophy were well suited to the Fund given its investment objectives and policies, and that the Advisers would be able to meet any reasonably foreseeable obligations under the Agreements.

In reviewing the quality of the services provided to the Fund, the Trustees also reviewed comparisons of the performance of the Fund to the performance of certain comparable leveraged funds in a peer group consisting of funds that invest at least 65% of their assets in corporate and government debt issues rated in the top four grades. The Trustees noted that the performance of the Fund exceeded its peer average for each of the one-, three-, five- and ten-year periods ended August 31, 2013.

The Trustees also considered the management fee and total expenses payable by the Fund. They reviewed information concerning management fees paid to investment advisers of similarly-managed funds, as well as fees paid by the Advisers other clients, including separate accounts managed by the Advisers. The Trustees observed that the Fund s total expenses were lower than the average of the fees paid by funds in its Lipper peer group and the management fee paid by the Fund to Western Asset, whether measured as a percentage of net assets attributable to common shares or total assets, was lower than the average of the funds in its Lipper peer group. They noted that the management fee paid by the Fund was generally higher than the fees paid by other clients of the Advisers with similar investment strategies, but that Western Asset was responsible for payment of the management fee to the Non-U.S. Advisers and that the administrative and operational responsibilities for the Advisers with respect to the Fund were also relatively higher. In light of these differences, the Trustees concluded that the management fee paid by the Fund relative to the fees paid by the Advisers other clients was reasonable.

The Trustees further evaluated the benefits of the advisory relationship to the Advisers, including, among others, the profitability of the relationship to the Advisers and the direct and indirect benefits that the Advisers may receive from their relationship with the Fund, including any fallout benefits , such as reputational value derived from serving as investment adviser to the Fund; and the affiliation between the Advisers and Legg Mason Partners Funds Advisor, LLC, the Fund s administrator. In that connection, the Trustees concluded that the Advisers profitability was consistent with levels of profitability that had been determined by courts not to be excessive. The Trustees noted that Western Asset does not have soft dollar arrangements.

Finally, the Trustees considered, in light of the profitability information provided by Western Asset, the extent to which economies of scale would be realized by the Advisers as the assets of the Fund grow. The Trustees concluded that because the Fund is a closed-end

Board approval of management and subadvisory agreements (unaudited) (cont d)

fund and does not make a continuous offer of its securities, the Fund s size was relatively fixed and it would be unlikely that the Advisers would realize economies of scale from the Fund s growth.

In their deliberations with respect to these matters, the Independent Trustees were advised by their independent counsel, who are independent of the Advisers within the meaning of the Securities and Exchange Commission rules regarding the independence of counsel. The Independent Trustees weighed each of the foregoing matters in light of the advice given to them by their independent counsel as to the law applicable to the review of investment advisory contracts. In arriving at a decision, the Trustees, including the Independent Trustees, did not identify any single matter as all-important or controlling, and the foregoing summary does not detail all the matters considered. The Trustees judged the terms and conditions of the Agreements, including the investment advisory fees, in light of all of the surrounding circumstances.

Based upon their review, the Trustees, including all of the Independent Trustees, determined, in the exercise of their business judgment, that they were generally satisfied with the quality of investment advisory services being provided by the Advisers, but would continue to closely monitor the Advisers performance; that the fees to be paid to the Advisers under the Agreements were fair and reasonable given the scope and quality of the services rendered by the Advisers; and that approval of the Agreements was in the best interest of the Fund and its shareholders.

Additional information (unaudited)

Information about Trustees and Officers

The business and affairs of Western Asset Premier Bond Fund (the Fund) are conducted by management under the supervision and subject to the direction of its Board of Trustees. The business address of each Trustee is c/o Kenneth D. Fuller, Legg Mason, 100 International Drive, 11th Floor, Baltimore, Maryland 21202. Information pertaining to the Trustees and officers of the Fund is set forth below.

Independent Trustees :	
Robert Abeles, Jr.[1]	
Year of birth	1945
Position(s) held with Fund	Trustee
Term of office and length of time served[2]	Served since 2013
Principal occupations during the past five years	Senior Vice President, Finance and Chief Financial Officer (since 2009) of University of Southern California; Director, Hanmi Financial Corporation and Hanmi Bank (2008-2009).
Number of portfolios in fund complex overseen by Trustee (including the Fund)[3]	13
Other board memberships held by Trustee during the past five years	None
Ronald J. Arnault	
Year of birth	1943
Position(s) held with Fund	Trustee
Term of office and length of time served[2]	Served since 1997
Principal occupation(s) during past five years	Retired.
Number of portfolios in fund complex overseen by Trustee (including the Fund)[3]	13
Other board memberships held by Trustee during past five years	None
Anita L. DeFrantz	
Year of birth	1952
Position(s) held with Fund	Trustee
Term of office and length of time served[2]	Served since 1998
Principal occupation(s) during past five years	President (1987-present) and Director (1990-present) of LA84 (formerly Amateur Athletic Foundation of Los Angeles); Director of Kids in Sports (1994-present); Vice President, International Rowing Federation (1995-present); Member of the International Olympic Committee (1986-present).
Number of portfolios in fund complex overseen by Trustee (including the Fund)[3]	13
Other board memberships held by Trustee during past five years	OBN Holdings, Inc. (film, television and media company)

Additional information (unaudited) (cont d)

Information about Trustees and Officers

Independent Trustees cont d	
Avedick B. Poladian	
Year of birth	1951
Position(s) held with Fund	Trustee
Term of office and length of time served[2]	Served since 2007
Principal occupation(s) during past five years	Executive Vice President and Chief Operating Officer of Lowe Enterprises, Inc. (real estate and hospitality firm) (2002-present); Partner, Arthur Andersen, LLP (1974-2002).
Number of portfolios in fund complex overseen by Trustee (including the Fund)[3]	13
Other board memberships held by Trustee during past five years	Occidental Petroleum Corporation and Public Storage
William E. B. Siart	
Year of birth	1946
Position(s) held with Fund	Trustee and Chairman
Term of office and length of time served[2]	Served since 1997
Principal occupation(s) during past five years	Trustee of The Getty Trust (2005-present); Chairman of Walt Disney Concert Hall, Inc. (1998-2006); Chairman of Excellent Education Development (2000-present).
Number of portfolios in fund complex overseen by Trustee (including the Fund)[3]	13
Other board memberships held by Trustee during past five years	None
Jaynie Miller Studenmund	
Year of birth	1954
Position(s) held with Fund	Trustee
Term of office and length of time served[2]	Served since 2004
Principal occupation(s) during past five years	Director of Orbitz Worldwide, Inc. (2007-present) (online travel company); Director of Pinnacle Entertainment, Inc. (2012-present) (gaming and hospitality company); Director of Core Logic, Inc. (2012-present) (information, analytics and business services). Formerly: Director of MarketTools, Inc. (2010-2012) (market research software provider); Director of eHarmony, Inc. (2005-2011) (online dating company).
Number of portfolios in fund complex overseen by Trustee (including the Fund)[3]	13
Other board memberships held by Trustee during past five years	None

Interested Trustees:	
Kenneth D. Fuller[4]	
Year of birth	1958
Position(s) with Fund	Trustee, President and Chief Executive Officer
Term of office and length of time served[2]	Since 2013
Principal occupation(s) during past five years	Managing Director of Legg Mason & Co., LLC (Legg Mason & Co.) (since 2013); Officer and/or Trustee/Director of 167 funds associated with Legg Mason Partners Fund Advisor, LLC (LMPFA) or its affiliates (since 2013); President and Chief Executive Officer of LM Asset Services, LLC (LMAS) and Legg Mason Fund Asset Management, Inc. (LMFAM) (formerly registered investment advisers) (since 2013); formerly, Senior Vice President of LMPFA (2012 to 2013); formerly, Director of Legg Mason & Co. (2012 to 2013); formerly, Vice President of Legg Mason & Co. (2009 to 2012); formerly, Vice President Equity Division of T. Rowe Price Associates (1993 to 2009), as well as Investment Analyst and Portfolio Manager for certain asset allocation accounts (2004 to 2009).
Number of funds in fund complex overseen by Trustee (including the Fund)[3]	155
Other board memberships held by Trustee during past five years	None
Ronald L. Olson[5]	
Year of birth	1941
Position(s) held with Fund	Trustee
Term of office and length of time served[2]	Served since 2005
Principal occupation(s) during past five years	Senior Partner of Munger, Tolles & Olson LLP (a law partnership) (1968-present).
Number of portfolios in fund complex overseen by Trustee (including the Fund)[3]	13
Other board memberships held by Trustee during past five years	Edison International, City National Corporation (financial services company), The Washington Post Company, and Berkshire Hathaway, Inc.
Officers[6]:	
Richard F. Sennett	
100 International Drive, 7th Floor, Baltimore, MD 21202	
Year of birth	1970
Position(s) with Fund	Principal Financial Officer and Treasurer
Term of office and length of time served	Since 2011 and since 2013
Principal occupation(s) during past five years	Principal Financial Officer and Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011 and since 2013); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co. s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC s Division of Investment Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC s Division of Investment Management (2002 to 2007)

Additional information (unaudited) (cont d)

Information about Trustees and Officers

Officers cont d	
Todd F. Kuehl	
100 International Drive, 9th Floor, Baltimore, MD 21202	
Year of birth	1969
Position(s) held with Fund	Chief Compliance Officer
Term of office and length of time served	Served since 2007
Principal occupations during past five years	Managing Director of Legg Mason & Co. (since 2011); Chief Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006); formerly, Chief Compliance Officer of Legg Mason Private Portfolio Group (prior to 2010); Branch Chief, Division of Investment Management, U.S. Securities and Exchange Commission (2002 to 2006)
Robert I. Frenkel	
100 First Stamford Place, 6th Floor, Stamford, CT 06902	
Year of birth	1954
Position(s) held with Fund	Secretary and Chief Legal Officer
Term of office and length of time served	Served since 2009
Principal occupation(s) during past five years	Vice President and Deputy General Counsel of Legg Mason, Inc. (since 2006); Managing Director and General Counsel of Global Mutual Funds for Legg Mason & Co. (since 2006) and Legg Mason & Co. predecessors (since 1994); Secretary and Chief Legal Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006).

Trustees who are not interested persons of the Fund within the meaning of section 2(a)(19) of the Investment Company Act of 1940, as amended (the 1940 Act).

[1] Mr. Abeles, Jr. became a Trustee effective May 22, 2013.

[2] Each of the Trustee of the Fund holds office until his or her successor shall have been duly elected and shall qualify, subject to prior death, resignation, retirement, disqualification or removed from office and applicable law and the rules of the New York Stock Exchange. Each officer holds office until his or her respective successor is chosen and qualified, or in each case until he or she sooner dies, resigns, is removed with or without cause or becomes disqualified.

[3] Each Trustee also serves as a Director of Western Asset Income Fund (closed-end investment company) and oversees the eleven portfolios of Western Asset Funds, Inc. (open-end investment companies), which are considered part of the same Fund Complex as the Fund.

[4] Mr. Fuller became a Trustee, President and Chief Executive Officer effective May 22, 2013. Mr. Fuller is an interested person (as defined in section 2(a)(19) of the Investment Company Act of 1940) of the Fund because of his positions with subsidiaries of, and ownership of shares of common stock of, Legg Mason, Inc., the parent company of the Investment Adviser. R. Jay Gerken retired as a Trustee and President and Chief Executive Officer effective May 22, 2013.

[5] Mr. Olson is an interested person (as defined above) of the Fund because his law firm has provided legal services to the Investment Adviser.

[6] Each officer of the Fund is an interested person (as defined above) of the Fund.

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

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

Other shareholder communications regarding accounting matters (unaudited)

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

The CCO may be contacted at:

Legg Mason & Co., LLC

Compliance Department

100 International Drive

Baltimore, MD 21202

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

Dividend reinvestment plan (unaudited)

The Fund and American Stock Transfer & Trust Company LLC (Agent), as the Transfer Agent and Registrar of the Fund, offer a convenient way to add shares of the Fund to your account. The Fund offers to all common shareholders a Dividend Reinvestment Plan (Plan). Under the Plan, cash distributions (e.g., dividends and capital gains) of registered shareholders (those who own shares in their own name on the Fund s records) on the common shares are automatically invested in shares of the Fund unless the shareholder elects otherwise by contacting the Agent at the address set forth below. Shareholders who own shares in a brokerage, bank or other financial institution account must contact the company where their account is held in order to participate in the Plan.

As a participant in the Dividend Reinvestment Plan you will automatically receive your dividend or net capital gains distribution in newly issued shares of the Fund if the market price of a share on the date of the distribution is at or above the NAV of a Fund share, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market. The number of shares to be issued to you will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the NAV per share on such date or 95% of the market price of a share on such date. If the market price of a share on such distribution date is below the NAV, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market, the Agent will, as agent for the participants, buy shares of the Fund through a broker on the open market. The price per share of shares purchased for each participant s account with respect to a particular dividend or other distribution will be the average price (including brokerage commissions, transfer taxes and any other costs of purchase) of all shares purchased with respect to that dividend or other distribution. All common shares acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent. Full and fractional shares will be voted by the Agent in accordance with your instructions.

Additional information regarding the plan

The Fund will pay all costs applicable to the Plan, except for brokerage commissions for open market purchases by the Agent under the Plan, which will be charged to participants. All shares acquired through the Plan receive voting rights and are eligible for any stock split, stock dividend, or other rights accruing to shareholders that the Board of Trustees may declare. Registered shareholder may terminate participation in the Plan at any time by giving notice to the Agent. Such termination will be effective prior to the record date next succeeding the receipt of such instructions or by a later date of termination specified in such instructions. Upon termination, a participant will receive a certificate for the full shares credited to his or her account or may request the sale of all or part of such shares. Fractional shares credited to a terminating account will be paid for in cash at the current market price at the time of termination. Shareholders who own shares in a brokerage, bank or other financial institution account must contact the company where their account is held in order to terminate participation in the Plan.

Dividend reinvestment plan (unaudited) (cont d)

Dividends and other distributions invested in additional shares under the Plan are subject to income tax just as if they had been received in cash. After year end, dividends paid on the accumulated shares will be included in the Form 1099-DIV information return to the Internal Revenue Service (IRS) and only one Form 1099-DIV will be sent to participants each year. Inquiries regarding the Plan, as well as notices of termination, should be directed to American Stock Transfer & Trust Company LLC, 6201 15th Avenue, Brooklyn, New York, 11219. Investor Relations Telephone number 1-888-888-0151.

Western Asset

Premier Bond Fund

Western Asset Premier Bond Fund

620 Eighth Avenue

49th Floor

New York, NY 10018

Investment advisers

Western Asset Management Company

Western Asset Management Company

Limited

Western Asset Management Company Pte. Ltd.

Western Asset Management Company Ltd

Custodian

State Street Bank and Trust Company

1 Lincoln Street

Boston, MA 02111

Independent registered public accounting firm

PricewaterhouseCoopers LLP

100 East Pratt Street

Baltimore, MD 21202

Legal counsel

Ropes & Gray LLP

1211 Avenue of the Americas

New York, NY 10036

Transfer agent

American Stock Transfer & Trust Company

6201 15th Avenue,

Brooklyn, NY 11219

New York Stock

Exchange Symbol

WEA

* Effective May 22, 2013, Mr. Abeles became a Trustee and Mr. Fuller became a Trustee, President and Chief Executive Officer.

Legg Mason Funds Privacy and Security Notice

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

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

The Type of Nonpublic Personal Information the Funds Collect About You

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

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

How the Funds Use Nonpublic Personal Information About You

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

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

NOT PART OF THE ANNUAL REPORT

Legg Mason Funds Privacy and Security Notice (cont d)

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

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

Keeping You Informed of the Funds Privacy and Security Practices

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

The Funds Security Practices

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

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

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

Revised April 2011

Western Asset Premier Bond Fund

Western Asset Premier Bond Fund

620 Eighth Avenue

49th Floor

New York, NY 10018

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

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

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

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

American Stock Transfer & Trust Company

6201 15th Avenue,

Brooklyn, NY 11219

WASX012842 2/14 SR14-2139

ITEM 2. CODE OF ETHICS.
The registrant has adopted a code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.
The Board of Directors of the registrant has determined that Ronald J. Arnault possesses the technical attributes identified in Instruction 2(b) of Item 3 to Form N-CSR to qualify as an audit committee financial expert, and has designated Mr. Arnault as the Audit Committee s financial expert. Mr. Arnault is an independent Director pursuant to paragraph (a)(2) of Item 3 to Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.
a) Audit Fees. The aggregate fees billed in the last two fiscal years ending December 31, 2012 and December 31, 2013 (the Reporting Periods) for professional services rendered by the Registrant s principal accountant (the Auditor) for the audit of the Registrant s annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were $50,264 in December 31, 2012 and $76,272 in December 31, 2013.

b) Audit-Related Fees. The aggregate fees billed in the Reporting Period for assurance and related services by the Auditor that are reasonably related to the performance of the Registrant s financial statements were $0 in December 31, 2012 and $0 in December 31, 2013.

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

(c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax advice and tax planning (Tax Services) were $4,200 in December 31, 2012 and $4,410 in December 31, 2013. These services consisted of (i) review or preparation of U.S. federal, state, local and excise tax returns; (ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments, and (iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held.

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

d) All Other Fees. The aggregate fees for other fees billed in the Reporting Periods for products and services provided by the Auditor were $1,756 in December 31, 2012 and $213 in December 31, 2013, other than the services reported in paragraphs (a) through (c) of this Item 4 for the Western Asset Premier Bond Fund.

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

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

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

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

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

(2) For the Western Asset Premier Bond Fund, the percentage of fees that were approved by the audit committee, with respect to: Audit-Related Fees were 100% and 100% for 2012 and 2013; Tax Fees were 100% and 100% for 2012 and 2013; and Other Fees were 100% and 100% for 2012 and 2013.

(f) N/A

(g) Non-audit fees billed by the Auditor for services rendered to Western Asset Premier Bond Fund, LMPFA and any entity controlling, controlled by, or under common control with LMPFA that provides ongoing services to Western Asset Premier Bond Fund during the reporting period were $256,353 in December 31, 2012 and $240,000 in December 31, 2013.

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

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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

Ronald J. Arnault

Robert Abeles, Jr.

Anita L. DeFrantz

Avedick B. Poladian

William E.B. Siart

Jaynie Miller Studenmund

b) Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

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

The Registrant has delegated the voting of proxies relating to its portfolio securities to its advisers, Western Asset Management Company and Western Asset Management Company Limited (together, the Advisers). The Proxy Voting Policies and Procedures of the Advisers are attached as an exhibit to this Form N-CSR.

ITEM 8. INVESTMENT PROFESSIONALS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

As of December 31, 2013, a team of investment professionals at the Advisers, led by Chief Investment Officer Stephen A. Walsh, Portfolio Manager Michael C. Buchanan and Portfolio Manager Christopher F. Kilpatrick manages the Western Asset Premier Bond Fund (the Fund).

Messrs. Walsh, Buchanan and Kilpatrick have each served as investment professionals for the Advisers for over five years.

The Fund is managed by a team of portfolio managers, sector specialists and other investment professionals. Messrs. Walsh, Buchanan and Kilpatrick serve as co-team leaders responsible for day-to-day strategic oversight of the Fund s investments and for supervising the day-to-day operations of the various sector specialist teams dedicated to the specific asset classes in which the Fund invests.

Other Accounts

As of December 31, 2013, in addition to the Fund, the portfolio manager(s) were responsible for the day-to-day management of certain other accounts, as follows:

Type of Account	**Number of Accounts Managed**	**Total Assets Managed ($ billions)**	**Number of Accounts Managed**	**Assets Managed for which Advisory Fee is**

			for which Advisory Fee is Performance-Based	Performance-Based($ billions)
Stephen A. Walsh:				
Registered Investment Companies	106	193.1	0	0

Other pooled investment vehicles	242	89.0	9	1.6
Other accounts	712	169.4	57	15.5
Michael C. Buchanan:				
Registered Investment Companies	42	33.7	0	0
Other pooled investment vehicles	57	31.2	4	0.86
Other accounts	194	48.2	20	7.3
Christopher F. Kilpatrick:				
Registered Investment Companies	8	3.6	0	0
Other pooled investment vehicles	1	0.49	0	0
Other accounts	1	0.36	0	0

Note: With respect to Mr. Walsh, the numbers above reflect the overall number of portfolios managed by the Advisers. Mr. Walsh is involved in the management of all the Advisers portfolios, but he is not solely responsible for particular portfolios. The Advisers investment discipline emphasizes a team approach that combines the efforts of groups of specialists working in different market sectors. The individuals that have been identified are responsible for overseeing implementation of the Advisers overall investment ideas and coordinating the work of the various sector teams. This structure ensures that client portfolios benefit from a consensus that draws on the expertise of all team members.

Potential Conflicts of Interest as of December 31, 2013

Potential conflicts of interest may arise in connection with the management of multiple accounts (including accounts managed in a personal capacity). These could include potential conflicts of interest related to the knowledge and timing of the Fund s trades, investment opportunities and broker selection. Portfolio managers may be privy to the size, timing and possible market impact of the Fund s trades.

It is possible that an investment opportunity may be suitable for both the Fund and other accounts managed by a portfolio manager, but may not be available in sufficient quantities for both the Fund and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by the Fund and another account. A conflict may arise where the portfolio manager may have an incentive to treat an account preferentially as compared to the Fund because the account pays a performance-based fee or the portfolio manager, the Advisers or an affiliate has an interest in the account. The Advisers have adopted procedures for allocation of portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. All eligible accounts that can participate in a trade share the same price on a pro-rata allocation basis in an attempt to mitigate any conflict of interest. Trades are allocated among similarly managed accounts to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition versus strategy.

With respect to securities transactions for the Fund, the Adviser determines which broker or dealer to use to execute each order, consistent with their duty to seek best execution of the transaction. However, with respect to certain other accounts (such as pooled investment vehicles that are not registered investment companies and other accounts managed for organizations and individuals), the Advisers may be limited by the client with respect to the selection of brokers or dealers or may be instructed to direct trades through a particular broker or dealer. In these cases, trades for the Fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Having separate transactions with respect to a security may temporarily affect the market price of the security or the execution of the transaction, or both, to the possible detriment of the Fund or the other account(s) involved. Additionally, the management of multiple accounts may result in a portfolio manager devoting unequal time and attention to the management of the Fund and/or other account.

It is theoretically possible that portfolio managers could use information to the advantage of other accounts they manage and to the possible detriment of the Fund. For example, a portfolio manager could short sell a security for an account immediately prior to the Fund s sale of that security. To address this conflict, the Advisers have adopted procedures for reviewing and comparing selected trades of alternative investment accounts (which may make directional trades such as short sells) with long- only accounts (which includes the Fund) for timing and pattern related issues. Trading decisions for alternative investment and long-only accounts may not be identical even though the same portfolio manager may manage both types of accounts. Whether an Adviser allocates a particular investment opportunity to only alternative investment accounts or to alternative investment and long-only accounts will depend on the investment strategy being implemented. If, under the circumstances, an investment opportunity is appropriate for both its alternative investment and long-only accounts, then it will be allocated to both on a pro-rata basis.

A portfolio manager may also face other potential conflicts of interest in managing the Fund, and the description above is not a complete description of every conflict of interest that could be deemed to exist in managing both the Fund and the other accounts listed above.

Compensation of Portfolio Managers as of December 31, 2013

With respect to the compensation of the portfolio managers, the Advisers compensation system assigns each employee a total compensation target and a respective cap, which are derived from annual market surveys that benchmark each role with their job function and peer universe. This method is designed to reward employees with total compensation reflective of the external market value of their skills, experience, and ability to produce desired results.

Standard compensation includes competitive base salaries, generous employee benefits, and a retirement plan.

In addition, employees are eligible for bonuses. These are structured to closely align the interests of employees with those of the Advisers, and are determined by the professional s job function and performance as measured by a formal review process. All bonuses are completely discretionary. One of the principal factors considered is a portfolio manager s investment performance versus appropriate peer groups and benchmarks. Because portfolio managers are generally responsible for multiple accounts (including the Fund) with similar investment strategies, they are compensated on the performance of the aggregate group of similar accounts, rather than a specific account. A smaller portion of a bonus payment is derived from factors that include client service, business development, length of service to the Advisers, management or supervisory responsibilities, contributions to developing business strategy and overall contributions to the Advisers business.

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

Portfolio Manager Ownership of Fund Securities

The following table provides the dollar range of securities beneficially owned by each portfolio manager as of December 31, 2013:

Portfolio Manager	**Dollar Range of Fund Securities Beneficially Owned($)**
Stephen A. Walsh	None
Michael C. Buchanan	None
Christopher F. Kilpatrick	None

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

Not applicable.

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant s Board of Trustees that have been implemented since the Registrant last provided disclosure in response to the requirements of this Item 10.

ITEM 11. CONTROLS AND PROCEDURES.

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

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

ITEM 12. EXHIBITS.

(a) (1) Code of Ethics attached hereto.

Exhibit 99.CODE ETH

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

Exhibit 99.CERT

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

Exhibit 99.906CER

SIGNATURES

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

Western Asset Premier Bond Fund

By: /s/ Kenneth D. Fuller
Kenneth D. Fuller
Chief Executive Officer

Date: February 25, 2014

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/ Kenneth D. Fuller
Kenneth D. Fuller
Chief Executive Officer

Date: February 25, 2014

By: /s/ Richard F. Sennett
Richard F. Sennett
Principal Financial Officer

Date: February 25, 2014