

WESTERN ASSET VARIABLE RATE STRATEGIC FUND INC.
Form N-CSR
November 26, 2012

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21609

Western Asset Variable Rate Strategic Fund Inc.
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY
(Address of principal executive offices)

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

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

Date of fiscal year end: September 30

Date of reporting period: September 30, 2012

ITEM 1. REPORT TO STOCKHOLDERS.

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

September 30, 2012

Annual Report

**Western Asset Variable Rate Strategic Fund Inc.
(GFY)**

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

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Fund objective

The Fund's investment objective is to maintain a high level of current income.

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Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset Variable Rate Strategic Fund Inc. for the twelve-month reporting period ended September 30, 2012. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

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

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

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 26, 2012

Investment commentary

Economic review

The U.S. economy continued to grow over the twelve months ended September 30, 2012, albeit at an uneven pace. U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was 1.3% and 4.1% in the third and fourth quarters of 2011, respectively. Economic growth in the U.S. then decelerated, as the Commerce Department reported that first quarter 2012 GDP growth was 2.0%. This was primarily due to less robust private inventory and non-residential fixed investments. The economy slowed further in the second quarter, as GDP growth was a tepid 1.3%. Moderating growth was partially due to weaker consumer spending, which rose only 1.5% in the second quarter, versus 2.4% during the first three months of the year. According to the Commerce Department's initial estimate, GDP growth then moved to 2.0% in the third quarter. The uptick was partially due to an increase in consumer spending, which rose 2.0% in the third quarter.

The job market remained weak. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 9.0%. Unemployment then generally declined and was 8.1% in April 2012, the lowest rate since January 2009. The unemployment rate then moved higher, reaching 8.3% in July, before falling to 7.8% in September. However, the recent moderation in unemployment was partially due to people leaving the workforce and an increase in part-time workers.

Meanwhile, the housing market brightened, as sales have started to improve and home prices appear to be firming. According to the National Association of Realtors (NAR), existing-home sales fluctuated throughout the period. While existing-home sales declined 1.7% on a seasonally adjusted basis in September 2012 versus the previous month, they were 11% higher than in September 2011. In addition, the NAR reported that the median existing-home price for all housing types was \$183,900 in September 2012, up 11.3% from September 2011. This marked the seventh consecutive month that home prices rose compared to the same period a year earlier. Furthermore, the inventory of homes available for sale fell 3.3% in September, which represents a 5.9-month supply at the current sales pace. The inventory has declined 20% compared to September 2011.

While the manufacturing sector overcame a soft patch that occurred in the summer of 2011, it again weakened toward the end of the reporting period. Looking back, based on the Institute for Supply Management's PMI (PMI) in August 2011 the manufacturing sector expanded at its weakest pace in two years, with a reading of 50.6 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). The PMI was then somewhat choppy over the next eight months, but rose as high as 54.8 in April 2012. The PMI then fell to 49.7 in June, which represented the first contraction in the manufacturing sector since July 2009. Manufacturing continued to contract in July and August before ticking up to 51.5 in September.

The Federal Reserve Board (Fed) took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rate at a

IV Western Asset Variable Rate Strategic Fund Inc.

Investment commentary (continued)

historically low range between zero and 0.25%. In September 2011, the Fed announced its intention to purchase \$400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as Operation Twist). In January 2012, the Fed extended the period it expects to keep rates on hold, saying economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. In June, the Fed announced that it would extend Operation Twist until the end of 2012. Finally, in September the Fed announced a third round of quantitative easing, which involves purchasing \$40 billion each month of agency mortgage-backed securities on an open-end basis. In addition, the Fed said that Operation Twist would continue and that it will keep the federal funds rate on hold until at least mid-2015.

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

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 26, 2012

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

Fund overview**Q. What is the Fund's investment strategy?**

A. The Fund seeks to maintain a high level of current income. The Fund invests primarily in variable rate instruments of U.S. and non-U.S. issuers, including U.S. and non-U.S. investment grade and high-yield debt, senior loans, emerging market debt and derivatives related to these securities.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, Andrea A. Mack, Dennis J. McNamara and Michael Y. Pak.

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

A. The spread sectors (non-Treasuries) experienced periods of volatility during the reporting period, but ultimately generated positive results. After falling sharply in August and September 2011 (prior to the beginning of the reporting period) most spread sectors then rallied in October, given hopes of progress in the European sovereign debt crisis and some better-than-expected economic data. While risk aversion returned in November, demand for the spread sectors resumed in December and generally remained robust during the next three months. This shift in investor sentiment was triggered by indications that the U.S. economy was gathering momentum and signs of progress in the European sovereign debt crisis. However, fears that the economy may be experiencing a soft patch and contagion fears from Europe led to periods of heightened risk aversion during portions of March, April and May. The spread sectors then rallied from June through September as investor sentiment improved.

Both short- and long-term Treasury yields declined during the reporting period. When the period began, two-year Treasury yields were 0.25%. They moved as low as 0.21% on January 17, 2012 and as high as 0.41% on March 20, 2012. Ten-year Treasury yields were 1.92% at the beginning of the period and peaked at 2.42% on October 27, 2011. On July 25, 2012, ten-year Treasuries closed at an all-time low of 1.43%. Yields then edged higher due to some positive developments in Europe and hopes for additional Federal Reserve Board (Fed) actions to stimulate the economy. When the reporting period ended on September 30, 2012, two-year Treasury yields were 0.23% and ten-year Treasury yields were 1.65%.

All told, the Barclays U.S. Aggregate Indexⁱⁱ, returned 5.16% for the twelve months ended September 30, 2012. For comparison purposes, riskier fixed-income securities, including high-yield bond and emerging market debt, produced stronger results. Over the fiscal year, the Barclays U.S. Corporate High Yield 2% Issuer Cap Indexⁱⁱⁱ and the JPMorgan Emerging Markets Bond Index Global (EMBI

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Fund overview (continued)

Global)iv returned 19.35% and 20.59%, respectively.

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

A. A number of adjustments were made to the Fund's portfolio during the reporting period, including lengthening its duration. We also made a number of adjustments from a sector perspective in an attempt to reduce the Fund's overall risk exposure. These initiatives include reducing the Fund's allocations to high-yield corporate bonds and bank loans, as well as paring its exposure to non-agency mortgage-backed securities (MBS). In contrast, we increased the Fund's allocation to floating rate agency MBS.

The use of leverage was tactically managed during the reporting period. We ended the period with leverage at roughly 4.72% of the gross assets of the Fund, versus roughly 14.42% at the beginning of the period. The use of leverage was positive for performance during the twelve months ended September 30, 2012.

During the reporting period, we utilized U.S. Treasury futures and Eurodollar futures to manage the portfolio's duration and yield curve exposure. These positions slightly added to performance over the period. Currency forwards were utilized to hedge the Fund's Brazilian currency exposures. The gains in our currency hedges served their purpose by offsetting the decline in the value of our Brazilian bonds when translated back to U.S. dollars. High-yield index swaps (CDX), which were used to manage our high-yield exposure, had no meaningful impact. We used CDS-FSAGLF (Financial Security Assurance Global Funding Limited), as part of a paired trade to hedge specific non-agency MBS holdings that were insured by Financial Services Authority. The net effect of these credit default swaps minimally detracted from performance during the reporting period. Written options, which were used to express our views on interest rates, were a positive for performance as interest rates declined. Interest rate swaps (IRS) were used to manage the interest rate exposure of our credit holdings. Our IRS were mostly pay fixed, which convert fixed rate bonds to a floating equivalent. As rates fell, we lost value in the IRS. However, we made corresponding gains in the fixed rate bonds we own. On a paired basis, this strategy added to performance.

Performance review

For the twelve months ended September 30, 2012, Western Asset Variable Rate Strategic Fund Inc. returned 15.05% based on its net asset value (NAV) ^{vii} and 25.59% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the BofA Merrill Lynch USD LIBOR 3-Month Constant Maturity Index ^{viii}, returned 0.48% for the same period. The Lipper Global Income Closed-End Funds Category Average ^{ix} returned 16.62% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

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During the twelve-month period, the Fund made distributions to shareholders totaling \$0.80 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of September 30, 2012. **Past performance is no guarantee of future results.**

Performance Snapshot as of September 30, 2012

Price Per Share	12-Month Total Return*
\$18.46 (NAV)	15.05%
\$18.45 (Market Price)	25.59%

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

*** Total returns are based on changes in NAV or market price, respectively.**

Total return assumes the reinvestment of all distributions at NAV.

Total return assumes the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund's relative performance during the reporting period was our overweight exposure to non-agency MBS. The asset class was supported by signs of improvement in the housing market and positive supply/demand technicals. The Fund's overweights to high-yield and investment grade corporate bonds were rewarded as their spreads narrowed given generally strong demand from investors seeking to generate incremental income in the low interest rate environment. Individual high-yield holdings that added the most value included our overweights in Ally Financial, Inc., Univision Communications, Inc. and Energy Future Intermediate Holding Co. Many of the best performing investment grade corporate bond holdings were in the Financials and Industrials sector, such as our overweights in Credit Agricole, Petrobras International, American International Group, HSBC Finance and Bank of America. Elsewhere, our positioning on the yield curve was positive for results.

Q. What were the leading detractors from performance?

A. The Fund significantly outperformed its benchmark during the reporting period. Modestly detracting from the Fund's relative performance were its overweight positions in several high-yield bonds, including NewPage Corp., Edison Madison Energy and Ceridian Corp.

Looking for additional information?

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

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

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

Sincerely,

Western Asset Management Company

October 16, 2012

Fund overview (cont d)

RISKS: *The Fund is a non-diversified, closed-end management investment company designed primarily as a long term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objective. Common shares at any point in time may be worth less than when invested, even after taking into account the reinvestment of Fund dividends and distributions. The Fund invests in fixed income securities which are subject to credit risks, including the risk of nonpayment of scheduled interest or loan payments, which could lower the Fund's value. The Fund's investments are subject to credit risk, inflation risk and interest rate risk. As interest rates rise, the value of a fixed-income portfolio generally declines, reducing the value of the Fund. However, the Fund can normally be expected to have less significant interest rate related fluctuations in its NAV than investment companies investing primarily in fixed-rate fixed-income securities (other than money market funds) because the floating or variable rate securities in which the Fund invests float in response to changes in prevailing market interest rates. The Fund may invest in high-yield and foreign securities, including emerging markets, which involve risks beyond those inherent solely in higher-rated and domestic investments. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. Investing in foreign securities is subject to certain risks typically not associated with domestic investing, such as currency fluctuations and changes in political conditions. These risks are magnified in emerging or developing markets. Derivatives, such as options or futures, can be illiquid and hard to value, especially in declining markets. A small investment in certain derivatives may have a potentially large impact on Fund performance.*

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of total net assets) as of September 30, 2012 were: Collateralized Mortgage Obligations (32.4%), Asset-Backed Securities (21.3%), Financials (12.0%), Consumer Discretionary (6.0%) and Energy (5.8%). The Fund's portfolio composition is subject to change at any time.

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

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

- i The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ii The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- iii The Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- iv The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- v Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vi The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- vii Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total investments) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii The BofA Merrill Lynch USD LIBOR 3-Month Constant Maturity Index is based on the assumed purchase of a synthetic instrument having three months to maturity and with a coupon equal to the closing quote for three-month LIBOR. That issue is sold the following day (priced at a yield equal to the current day closing three-month LIBOR rate) and is rolled into a new three-month instrument. The Index, therefore, will always have a constant maturity equal to exactly three months.
- ix Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended September 30, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 13 funds in the Fund's Lipper category.

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Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of September 30, 2012 and September 30, 2011, and does not include derivatives, such as future contracts, written options, forward foreign currency contracts and swap contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.
Represents less than 0.1%.

Spread duration (unaudited)**Economic exposure September 30, 2012**

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

ABS	Asset Backed Securities
EM	Emerging Markets
GFY	Western Asset Variable Rate Strategic Fund Inc.
HY	High Yield

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IG Credit	Investment Grade Credit
MBS	Mortgage Backed Securities
ML USD LIBOR	BofA Merrill Lynch USD LIBOR 3-Month Constant Maturity

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Effective duration (unaudited)

Interest rate exposure September 30, 2012

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

ABS	Asset Backed Securities
EM	Emerging Markets
GFY	Western Asset Variable Rate Strategic Fund Inc.
IG Credit	Investment Grade Credit

HY	High Yield
MBS	Mortgage Backed Securities
ML USD LIBOR	BofA Merrill Lynch USD LIBOR 3-Month Constant Maturity

Schedule of investments

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

		Maturity	Face	
	Rate	Date	Amount	Value
Security				
Corporate Bonds & Notes 34.3%				
Consumer Discretionary 3.8%				
Automobiles 0.7%				
Ford Motor Credit Co., LLC, Senior Notes	2.750%	5/15/15	590,000	\$ 602,083
Ford Motor Credit Co., LLC, Senior Notes	5.875%	8/2/21	250,000	283,336
Total Automobiles				885,419
Consumer Finance 0.1%				
Abbey National Treasury Services PLC, Senior Notes	2.028%	4/25/14	180,000	178,717(a)
Diversified Consumer Services 0.0%				
Service Corp. International, Senior Notes	7.625%	10/1/18	30,000	35,700
Hotels, Restaurants & Leisure 0.9%				
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	175,000	189,000
Choctaw Resort Development Enterprise, Senior Notes	7.250%	11/15/19	218,000	191,840(b)
Chukchansi Economic Development Authority, Secured Notes	9.750%	5/30/20	238,000	157,080(b)
El Pollo Loco Inc., Secured Notes	17.000%	1/1/18	125,353	130,994(b)(c)
MGM Resorts International, Senior Notes	7.625%	1/15/17	230,000	244,950
MGM Resorts International, Senior Secured Notes	10.375%	5/15/14	20,000	22,600
MGM Resorts International, Senior Secured Notes	11.125%	11/15/17	55,000	61,118
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16	60,000	69,450
Snoqualmie Entertainment Authority, Senior Secured Notes	4.476%	2/1/14	10,000	9,950(a)(b)
Station Casinos Inc., Senior Subordinated Notes	6.875%	3/1/16	15,000	0(d)(e)(f)(g)
Total Hotels, Restaurants & Leisure				1,076,982
Household Durables 0.0%				
Newell Rubbermaid Inc., Senior Notes	2.000%	6/15/15	40,000	40,556
Media 1.8%				
Comcast Corp., Senior Notes	6.500%	1/15/17	400,000	485,127
DISH DBS Corp., Senior Notes	6.750%	6/1/21	400,000	438,000
Nara Cable Funding Ltd., Senior Secured Notes	8.875%	12/1/18	600,000	550,500(b)
News America Inc., Notes	5.300%	12/15/14	200,000	220,210(h)
Time Warner Cable Inc., Senior Notes	4.125%	2/15/21	400,000	442,990
UPC Holding BV, Senior Notes	9.875%	4/15/18	30,000	33,150(b)
Virgin Media Finance PLC, Senior Bonds	9.500%	8/15/16	25,000	27,813
Total Media				2,197,790

See Notes to Financial Statements.

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Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

		Maturity	Face	
Security	Rate	Date	Amount	Value
Specialty Retail 0.3%				
Lowe's Cos. Inc., Senior Notes	2.125%	4/15/16	300,000	\$ 311,826(h)
Total Consumer Discretionary				4,726,990
Consumer Staples 2.8%				
Beverages 0.4%				
Anheuser-Busch InBev Worldwide Inc., Senior Notes	4.125%	1/15/15	90,000	97,113
Anheuser-Busch InBev Worldwide Inc., Senior Notes	2.875%	2/15/16	300,000	319,840
Total Beverages				416,953
Food & Staples Retailing 0.8%				
CVS Corp., Pass-through Certificates	6.117%	1/10/13	312,903	317,596(b)
Kroger Co., Notes	3.900%	10/1/15	360,000	391,692(h)
Wal-Mart Stores Inc., Senior Notes	2.800%	4/15/16	300,000	322,199(h)
Total Food & Staples Retailing				1,031,487
Food Products 0.4%				
Kraft Foods Group Inc., Senior Notes	5.375%	2/10/20	104,000	123,796(b)
Kraft Foods Inc., Senior Notes	2.625%	5/8/13	260,000	263,063(h)
Kraft Foods Inc., Senior Notes	5.375%	2/10/20	96,000	115,991
Total Food Products				502,850
Tobacco 1.2%				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	70,000	72,800
Altria Group Inc., Senior Notes	9.250%	8/6/19	350,000	497,646
BAT International Finance PLC, Senior Notes	1.400%	6/5/15	600,000	604,994(b)(h)
Reynolds American Inc., Senior Secured Notes	7.300%	7/15/15	270,000	310,661
Total Tobacco				1,486,101
Total Consumer Staples				3,437,391
Energy 5.7%				
Energy Equipment & Services 0.3%				
Hercules Offshore LLC, Senior Secured Notes	10.500%	10/15/17	60,000	63,525(b)
Key Energy Services Inc., Senior Notes	6.750%	3/1/21	350,000	357,000
Total Energy Equipment & Services				420,525
Oil, Gas & Consumable Fuels 5.4%				
Anadarko Petroleum Corp., Senior Notes	7.625%	3/15/14	160,000	174,939(h)
Anadarko Petroleum Corp., Senior Notes	6.375%	9/15/17	240,000	289,663
BP Capital Markets PLC, Senior Notes	3.125%	10/1/15	530,000	566,339(h)
Chesapeake Energy Corp., Senior Notes	7.250%	12/15/18	285,000	307,800
Chesapeake Energy Corp., Senior Notes	6.625%	8/15/20	150,000	155,438
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	160,000	168,400
Devon Energy Corp., Senior Notes	2.400%	7/15/16	400,000	417,956

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity	Face	Value
		Date	Amount	
Oil, Gas & Consumable Fuels continued				
El Paso Corp., Medium-Term Notes	7.375%	12/15/12	194,000	\$ 196,613
Enterprise Products Operating LLC, Senior Notes	3.200%	2/1/16	450,000	474,781(h)
Enterprise Products Operating LLP, Junior Subordinated Notes	8.375%	8/1/66	80,000	90,275(a)
Enterprise Products Operating LLP, Subordinated Notes	7.034%	1/15/68	120,000	134,550(a)
Kinder Morgan Energy Partners LP, Senior Notes	6.000%	2/1/17	170,000	199,850
LUKOIL International Finance BV, Bonds	6.356%	6/7/17	210,000	240,433(b)
LUKOIL International Finance BV, Senior Notes	7.250%	11/5/19	240,000	290,112(b)
Petrobras International Finance Co., Senior Notes	3.875%	1/27/16	250,000	265,703
Petrobras International Finance Co., Senior Notes	5.750%	1/20/20	780,000	892,942
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	40,000	44,800
Range Resources Corp., Senior Subordinated Notes	6.750%	8/1/20	550,000	607,750
Shell International Finance BV, Senior Notes	3.100%	6/28/15	380,000	406,459(h)
Teekay Corp., Senior Notes	8.500%	1/15/20	110,000	116,050
TNK-BP Finance SA, Senior Notes	7.875%	3/13/18	200,000	243,000(b)
Williams Cos. Inc., Senior Notes	8.750%	3/15/32	229,000	318,544
Total Oil, Gas & Consumable Fuels				6,602,397
Total Energy				7,022,922
Financials 12.0%				
Capital Markets 1.6%				
Goldman Sachs Capital III, Preferred Securities	4.000%	11/13/12	550,000	414,947(a)(i)
Goldman Sachs Group Inc., Senior Notes	5.250%	10/15/13	340,000	354,943
Morgan Stanley, Senior Notes	2.937%	5/14/13	310,000	313,102(a)
Morgan Stanley, Senior Notes	6.000%	5/13/14	400,000	424,149
UBS AG Stamford CT, Senior Notes	3.875%	1/15/15	400,000	424,182
Total Capital Markets				1,931,323
Commercial Banks 3.0%				
Barclays Bank PLC, Senior Notes	5.000%	9/22/16	200,000	222,324
BBVA US Senior SAU, Senior Notes	3.250%	5/16/14	400,000	397,084
Commonwealth Bank of Australia, Senior Notes	1.950%	3/16/15	370,000	378,359
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, Senior Notes	3.375%	1/19/17	190,000	201,870
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	620,000	606,050(a)(b)(i)
Danske Bank A/S, Senior Notes	1.505%	4/14/14	300,000	296,950(a)(b)
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	140,000	137,292(b)
Rabobank Nederland NV, Junior Subordinated Notes	11.000%	6/30/19	260,000	343,519(a)(b)(i)
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	11/9/12	300,000	297,750(a)(i)

See Notes to Financial Statements.

12 Western Asset Variable Rate Strategic Fund Inc. 2012 Annual Report

Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

		Maturity	Face	
Security	Rate	Date	Amount	Value
Commercial Banks continued				
Wells Fargo & Co., Senior Notes	3.750%	10/1/14	450,000	\$ 477,552
Wells Fargo & Co., Senior Notes	3.676%	6/15/16	250,000	272,367
Total Commercial Banks				3,631,117
Consumer Finance 4.0%				
Ally Financial Inc., Senior Notes	6.750%	12/1/14	307,000	330,025
Ally Financial Inc., Senior Notes	8.000%	3/15/20	280,000	329,000
American Express Co., Senior Notes	8.125%	5/20/19	450,000	609,601
GMAC Inc., Senior Notes	2.618%	12/1/14	1,956,000	1,932,581(a)
HSBC Finance Corp., Senior Notes	6.676%	1/15/21	500,000	580,802
SLM Corp.	0.751%	1/27/14	700,000	680,007(a)
Toyota Motor Credit Corp., Senior Notes	2.000%	9/15/16	400,000	415,975
Total Consumer Finance				4,877,991
Diversified Financial Services 3.1%				
Bank of America Corp., Senior Notes	3.750%	7/12/16	600,000	637,150
CDP Financial Inc., Senior Notes	3.000%	11/25/14	300,000	314,902(b)
Citigroup Inc., Senior Notes	6.375%	8/12/14	850,000	925,395(h)
Citigroup Inc., Senior Notes	5.500%	10/15/14	120,000	129,463(h)
General Electric Capital Corp., Senior Notes	2.950%	5/9/16	550,000	582,072(h)
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	490,000	575,750
JPMorgan Chase & Co., Senior Notes	3.150%	7/5/16	550,000	582,245
Unitymedia GmbH, Senior Secured Bonds	8.125%	12/1/17	100,000	108,000(b)
Total Diversified Financial Services				3,854,977
Insurance 0.1%				
American International Group Inc., Senior Notes	3.750%	11/30/13	170,000	174,562(b)
Thriffs & Mortgage Finance 0.2%				
Santander Holdings USA Inc., Senior Notes	4.625%	4/19/16	240,000	251,633
Total Financials				14,721,603
Health Care 0.9%				
Health Care Providers & Services 0.9%				
Humana Inc., Senior Notes	6.450%	6/1/16	300,000	344,180
McKesson Corp., Senior Notes	3.250%	3/1/16	300,000	323,065(h)
Tenet Healthcare Corp., Senior Secured Notes	8.875%	7/1/19	326,000	370,010
Vanguard Health Holdings Co., II LLC, Senior Notes	8.000%	2/1/18	80,000	85,800
Total Health Care				1,123,055
Industrials 1.4%				
Airlines 0.3%				
Air 2 US, Notes	8.027%	10/1/19	76,361	78,652(b)
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	160,000	165,600(b)

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.

		Maturity		Face	
Security	Rate	Date	Amount	Value	
<i>Airlines continued</i>					
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	57,756	\$ 62,376	
Delta Air Lines Inc., Senior Secured Notes	9.500%	9/15/14	24,000	25,260(b)	
Total Airlines				331,888	
<i>Building Products 0.0%</i>					
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes	11.000%	6/30/15	7,800	7,527(b)(e)	
<i>Commercial Services & Supplies 0.3%</i>					
Altegrity Inc., Senior Subordinated Notes	10.500%	11/1/15	120,000	105,600(b)	
Waste Management Inc., Senior Notes	2.600%	9/1/16	300,000	315,211	
Total Commercial Services & Supplies				420,811	
<i>Construction & Engineering 0.5%</i>					
Odebrecht Finance Ltd., Senior Notes	6.000%	4/5/23	580,000	646,700(b)	
<i>Industrial Conglomerates 0.1%</i>					
Leucadia National Corp., Senior Notes	8.125%	9/15/15	80,000	90,600	
<i>Road & Rail 0.2%</i>					
Kansas City Southern de Mexico, Senior Notes	12.500%	4/1/16	163,000	182,967	
Total Industrials				1,680,493	
<i>Information Technology 0.2%</i>					
<i>IT Services 0.1%</i>					
First Data Corp., Senior Secured Notes	6.750%	11/1/20	100,000	99,875(b)	
<i>Semiconductors & Semiconductor Equipment 0.1%</i>					
Freescall Semiconductor Inc., Senior Secured Notes	9.250%	4/15/18	130,000	142,025(b)	
Total Information Technology				241,900	
<i>Materials 3.0%</i>					
<i>Containers & Packaging 0.2%</i>					
Reynolds Group Issuer Inc./ Reynolds Group Issuer LLC/ Reynolds Group Issuer Lu, Senior Secured Notes	7.125%	4/15/19	250,000	265,000	
<i>Metals & Mining 2.5%</i>					
ArcelorMittal, Senior Notes	4.000%	2/25/15	350,000	349,965	
ArcelorMittal, Senior Notes	4.000%	8/5/15	50,000	49,717	
Barrick Gold Corp., Senior Notes	1.750%	5/30/14	250,000	253,800	
Barrick International Barbados Corp., Senior Notes	5.750%	10/15/16	200,000	231,724(b)	
Cliffs Natural Resources Inc., Senior Notes	4.875%	4/1/21	300,000	294,138	
Metals USA Inc., Senior Secured Notes	11.125%	12/1/15	150,000	154,875	
Rio Tinto Finance USA Ltd., Senior Notes	2.500%	5/20/16	500,000	522,554	
Steel Dynamics Inc., Senior Notes	7.625%	3/15/20	370,000	403,300	
Vale Overseas Ltd., Notes	6.250%	1/23/17	338,000	392,575	

See Notes to Financial Statements.

14 Western Asset Variable Rate Strategic Fund Inc. 2012 Annual Report

Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

	Maturity		Face	
Security	Rate	Date	Amount	Value
Metals & Mining continued				
Vedanta Resources PLC, Senior Notes	8.750%	1/15/14	390,000	\$ 408,525(b)
Vedanta Resources PLC, Senior Notes	8.750%	1/15/14	70,000	73,325(b)
Total Metals & Mining				3,134,498
Paper & Forest Products 0.3%				
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	199,000	199,995
NewPage Corp., Senior Secured Notes	11.375%	12/31/14	205,000	130,175(d)
Total Paper & Forest Products				330,170
Total Materials 3.2%				
Telecommunication Services 2.1%				
Diversified Telecommunication Services 2.1%				
Axtel SAB de CV, Senior Notes	7.625%	2/1/17	377,000	237,510(b)
British Telecommunications PLC, Senior Notes	2.000%	6/22/15	280,000	288,079
CC Holdings GS V LLC, Senior Secured Notes	7.750%	5/1/17	150,000	160,875(b)
Cincinnati Bell Telephone Co., Senior Debentures	6.300%	12/1/28	45,000	41,400
Deutsche Telekom International Finance BV, Senior Notes	4.875%	7/8/14	300,000	319,370(h)
Deutsche Telekom International Finance BV, Senior Notes	5.750%	3/23/16	140,000	159,613
Intelsat Jackson Holdings Ltd., Senior Notes	8.500%	11/1/19	140,000	158,550
Qwest Corp., Senior Notes	3.639%	6/15/13	250,000	251,391(a)
Telecom Italia Capital, Senior Notes	5.250%	10/1/15	320,000	337,600
Telefonica Emisiones SAU, Senior Notes	3.992%	2/16/16	230,000	229,425
Verizon Communications Inc., Senior Notes	4.600%	4/1/21	300,000	356,479
Total Diversified Telecommunication Services				2,540,292
Wireless Telecommunication Services 1.1%				
Cricket Communications Inc., Senior Secured Notes	7.750%	5/15/16	125,000	132,500
Rogers Cable Inc., Senior Secured Second Priority Notes	6.750%	3/15/15	300,000	341,778(h)
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	650,000	601,250
Vodafone Group PLC, Senior Notes	5.000%	12/16/13	266,000	280,450(h)
Total Wireless Telecommunication Services				1,355,978
Total Telecommunication Services 3.2%				
Utilities 1.3%				
Electric Utilities 0.3%				
Edison International, Senior Notes	3.750%	9/15/17	300,000	322,612
Independent Power Producers & Energy Traders 0.7%				

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Calpine Corp., Senior Secured Notes	7.500%	2/15/21	280,000	303,800(b)
Energy Future Intermediate Holding Co. LLC/ EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	459,000	518,670
<i>Total Independent Power Producers & Energy Traders</i>				822,470

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity	Face	
		Date	Amount	Value
Multi-Utilities 0.3%				
Dominion Resources Inc., Senior Notes	1.950%	8/15/16	400,000	\$ 413,805
Total Utilities				1,558,887
Total Corporate Bonds & Notes (Cost \$39,774,722)				42,139,179
Asset-Backed Securities 21.3%				
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	831,324	611,566
Access Group Inc., 2005-B A2	0.681%	7/25/22	304,583	296,135(a)
Ameriquest Mortgage Securities Inc., 2002-AR1 M1	1.307%	9/25/32	220,606	188,295(a)
Ameriquest Mortgage Securities Inc., 2005-R1 M1	0.667%	3/25/35	800,000	786,681(a)
Argent Securities Inc., 2003-W3 M1	1.342%	9/25/33	121,333	116,967(a)
Argent Securities Inc., 2003-W8 M1	1.267%	12/25/33	643,813	602,044(a)
Argent Securities Inc., 2005-W3 A2D	0.557%	11/25/35	683,932	597,356(a)
Bear Stearns Asset-Backed Securities Trust, 2001-3 A1	1.117%	10/27/32	32,608	29,284(a)
Bear Stearns Asset-Backed Securities Trust, 2005-SD3 1A	0.707%	7/25/35	578,270	543,120(a)
Bear Stearns Asset-Backed Securities Trust, 2007-SD1 1A2A	6.000%	10/25/36	1,007,402	754,596
Chase Funding Mortgage Loan Asset-Backed Certificates, 2004-1 1A7	3.985%	11/25/33	568,091	534,212
Citigroup Mortgage Loan Trust Inc., 2005-OPT1 M1	0.637%	2/25/35	244,419	211,427(a)
Citigroup Mortgage Loan Trust Inc., 2005-OPT4 M2	0.647%	7/25/35	750,000	733,453(a)
Countrywide Asset-Backed Certificates, 2003-5 AF5	5.916%	2/25/34	631,145	642,390
Countrywide Asset-Backed Certificates, 2004-BC1 M1	0.967%	2/25/34	131,029	116,524(a)
Countrywide Asset-Backed Certificates, 2007-13 2A1	1.117%	10/25/47	807,031	593,837(a)
Countrywide Home Equity Loan Trust, 2006-HW 2A1B	0.371%	11/15/36	875,324	639,083(a)
Credit-Based Asset Servicing and Securitization LLC, 2007-SP1 A4	6.020%	12/25/37	600,000	591,414(b)
EFS Volunteer No. 3 LLC, 2012-1 A3	1.217%	4/25/33	640,000	637,351(a)(b)
EMC Mortgage Loan Trust, 2004-C A1	0.767%	3/25/31	172,985	154,984(a)(b)
Equity One ABS Inc., 2004-1 AF5	5.110%	4/25/34	300,000	295,312
First Franklin Mortgage Loan Asset-Backed Certificates, 2005-FFH4 2A4	0.567%	12/25/35	278,299	268,072(a)
First Horizon ABS Trust, 2007-HE1 A	0.366%	9/25/29	101,445	77,205(a)
Ford Credit Auto Lease Trust, 2012-B A2	0.540%	11/15/14	600,000	600,139
Greenpoint Home Equity Loan Trust, 2004-4 A	0.781%	8/15/30	437,366	296,243(a)
	7.270%	6/15/29	230,000	219,510

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Greenpoint Manufactured Housing, 1999-3

1A7				
GSAMP Trust, 2004-OPT B1	1.817%	11/25/34	89,456	42,933(a)
GSAMP Trust, 2004-SEA2 M2	1.467%	3/25/34	1,000,000	619,821(a)
GSRPM Mortgage Loan Trust, 2007-1 A	0.617%	10/25/46	136,391	66,233(a)(b)

See Notes to Financial Statements.

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Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity	Face	Value
		Date	Amount	
Asset-Backed Securities continued				
Hertz Vehicle Financing LLC, 2009-2A A1	4.260%	3/25/14	630,000	\$636,599(b)
Home Equity Mortgage Trust, 2006-2 2A1	0.377%	7/25/36	551,013	178,032(a)
IXIS Real Estate Capital Trust, 2005-HE4 A3	0.557%	2/25/36	154,429	143,669(a)
Lehman XS Trust, (Structured Asset Securities Corp.), 2005-1 2A2	1.717%	7/25/35	1,004,436	821,050(a)
Lehman XS Trust, 2005-5N 3A1A	0.517%	11/25/35	352,443	279,447(a)
Long Beach Mortgage Loan Trust, 2001-3 M1	1.042%	9/25/31	234,371	170,060(a)
Long Beach Mortgage Loan Trust, 2002-1 2M1	1.342%	5/25/32	549,899	434,466(a)
MASTR Asset-Backed Securities Trust, 2005-AB1 A5A	5.712%	11/25/35	720,000	258,464
MASTR Specialized Loan Trust, 2007-1 A	0.587%	1/25/37	491,715	235,368(a)(b)
Merrill Lynch Mortgage Investors Trust, 2007-SD1 A1	0.667%	2/25/47	1,055,988	509,025(a)
Morgan Stanley ABS Capital I, 2007-NC2 M1	0.587%	2/25/37	617,392	1,374(a)
Morgan Stanley Capital Inc., 2003-NC9 M	1.342%	9/25/33	1,186,589	904,100(a)
Morgan Stanley Capital Inc., 2004-HE8 A7	0.747%	9/25/34	74,135	61,729(a)
New Century Home Equity Loan Trust, 2004-3 M1	1.147%	11/25/34	638,898	484,184(a)
Option One Mortgage Loan Trust, 2005-1 A4	0.617%	2/25/35	183,739	171,683(a)
Origen Manufactured Housing, 2007-A A2	3.720%	4/15/37	814,385	529,350(a)
Park Place Securities Inc., 2004-WHQ2 M2	0.847%	2/25/35	750,000	726,414(a)
People's Choice Home Loan Securities Trust, 2004-2 M1	1.117%	10/25/34	189,548	165,734(a)
RAAC Series, 2006-RP2 A	0.467%	2/25/37	242,217	227,945(a)(b)
RAAC Series, 2006-RP3 A	0.487%	5/25/36	988,216	804,942(a)(b)
RAAC Series, 2006-RP4 A	0.507%	1/25/46	527,544	464,145(a)(b)
RAAC Series, 2007-RP3 M1	1.017%	10/25/46	1,200,000	59,545(a)(b)
RAAC Series, 2007-RP4 A	0.567%	11/25/46	1,016,974	558,891(a)(b)
Renaissance Home Equity Loan Trust, 2003-1 A	1.077%	6/25/33	191,200	150,028(a)
Renaissance Home Equity Loan Trust, 2003-2 A	0.657%	8/25/33	158,637	139,444(a)
Renaissance Net Interest Margin Trust, 2007-2 N	8.353%	6/25/37	128,633	1(b)(d)(e)
Residential Asset Mortgage Products Inc., 2003-RS7 MIII	1.342%	8/25/33	46,881	40,156(a)
Residential Asset Mortgage Products Inc., 2003-RZ4 A7	4.790%	6/25/33	150,760	156,128
Residential Asset Mortgage Products Inc., 2004-RZ3 MII2	1.867%	9/25/34	400,000	334,699(a)
SACO I Trust, 2005-WM3 A3	0.917%	9/25/35	201,812	82,541(a)
SACO I Trust, 2006-3 A3	0.677%	4/25/36	398,276	208,622(a)
SACO I Trust, 2006-4 A1	0.557%	3/25/36	425,741	256,698(a)
Sail Net Interest Margin Notes, 2004-2A A	5.500%	3/27/34	107,070	1(b)(d)(e)
SLM Student Loan Trust, 2003-01 A5C	1.139%	12/15/32	451,749	446,102(a)(b)

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity	Face	Value
		Date	Amount	
Asset-Backed Securities continued				
SLM Student Loan Trust, 2003-04 A5A	1.139%	3/15/33	193,930	\$ 191,566(a)(b)
SLM Student Loan Trust, 2003-04 A5E	1.139%	3/15/33	514,858	502,116(a)(b)
SLM Student Loan Trust, 2012-06 A1	0.380%	2/27/17	300,000	300,065(a)
Soundview Home Equity Loan Trust, 2005-3 M2	0.997%	6/25/35	258,657	251,979(a)
Structured Asset Investment Loan Trust, 2004-9 M4	2.167%	10/25/34	135,276	39,610(a)
Structured Asset Securities Corp., 2003-AL1 A	3.357%	4/25/31	126,818	123,776(b)
Structured Asset Securities Corp., 2004-6XS A5B	5.550%	3/25/34	573,920	579,598
Structured Asset Securities Corp., 2005-4XS 2A1A	1.996%	3/25/35	551,313	491,187(a)
Structured Asset Securities Corp., 2005-SC1 1A1	0.487%	5/25/31	743,519	376,129(a)(b)
Structured Asset Securities Corp., 2005-WF1 A3	0.547%	2/25/35	239,130	232,550(a)
Structured Asset Securities Corp., 2006-GEL1 A2	0.567%	11/25/35	376,720	361,512(a)(b)
Structured Asset Securities Corp., 2007-BC3 2A3	0.397%	5/25/47	290,000	88,473(a)
Vanderbilt Mortgage Finance, 2000-B IB2	9.250%	7/7/30	180,717	183,468(a)
Total Asset-Backed Securities (Cost	\$28,428,161)			26,228,852
Collateralized Mortgage Obligations				
32.4%				
Adjustable Rate Mortgage Trust, 2005-11 5A1	0.487%	2/25/36	249,508	173,458(a)
Banc of America Funding Corp., 2003-1 A1	6.000%	5/20/33	169,737	179,846
Banc of America Funding Corp., 2004-B 6A1	2.912%	12/20/34	748,613	473,788(a)
Banc of America Funding Corp., 2005-E 8A1	2.546%	6/20/35	621,234	378,148(a)
Bayview Commercial Asset Trust, 2006-1A B2	1.917%	4/25/36	915,150	271,488(a)(b)
Bear Stearns Alt-A Trust, 2004-03 A1	0.857%	4/25/34	664,542	603,276(a)
Bear Stearns Alt-A Trust, 2004-10 1A3	1.217%	9/25/34	142,385	140,649(a)
Bear Stearns ARM Trust, 2004-08 11A1	2.647%	11/25/34	523,635	465,321(a)
Bear Stearns Asset-Backed Securities Trust, 2005-AC3 1A1	0.717%	7/25/35	741,974	519,691(a)
Countrywide Alternative Loan Trust, 2005-24 4A1	0.449%	7/20/35	707,995	518,471(a)
Countrywide Home Loan, Mortgage Pass-Through Trust, 2004-29 2A1	0.547%	2/25/35	68,148	53,440(a)
Countrywide Home Loans, 2004-20 2A1	2.803%	9/25/34	676,502	526,179(a)
Countrywide Home Loans, 2004-R1 2A	6.500%	11/25/34	149,675	152,427(b)
Countrywide Home Loans, 2005-HYB9 3A1A	2.809%	2/20/36	942,410	738,871(a)

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Countrywide Home Loans, 2005-R2 2A1	7.000%	6/25/35	329,755	321,191(b)
Countrywide Home Loans, 2005-R3 AF	0.617%	9/25/35	532,638	446,544(a)(b)
Countrywide Home Loans, 2006-R2 AF1	0.637%	7/25/36	258,879	224,479(a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R1 1AF1	0.577%	3/25/35	471,245	388,187(a)(b)
Deutsche Mortgage Securities Inc., 2004-4 3AR1	3.116%	6/25/34	321,407	290,959(a)
Downey Savings & Loan Association Mortgage Loan Trust, 2005-AR5 2A1A	0.549%	9/19/45	695,407	487,307(a)

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Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity	Face	Value
		Date	Amount	
Collateralized Mortgage Obligations continued				
Downey Savings & Loan Association Mortgage Loan Trust, 2006-AR1 1A1A	1.068%	3/19/46	401,127	\$ 229,081(a)
Federal Home Loan Mortgage Corp. (FHLMC), PAC IO	5.000%	1/15/19	665,867	22,792
Federal Home Loan Mortgage Corp. (FHLMC), PAC IO, 2638 DI	5.000%	5/15/23	916,565	78,081
Federal Home Loan Mortgage Corp. (FHLMC), PAC-1 IO	5.000%	3/15/22	1,030,900	42,979
Federal National Mortgage Association (FNMA), STRIPS, IO	5.000%	7/1/33	3,648,007	463,276
Federal National Mortgage Association (FNMA), STRIPS, IO, 339 30	5.500%	7/1/18	1,215,203	113,502(a)
Government National Mortgage Association (GNMA), 2010-H03 FA	0.785%	3/20/60	185,807	186,800(a)
Government National Mortgage Association (GNMA), 2010-H10 FC	1.235%	5/20/60	158,952	162,870(a)
Government National Mortgage Association (GNMA), 2010-H11 FA	1.235%	6/20/60	864,644	890,090(a)
Government National Mortgage Association (GNMA), 2011-H01 AF	0.694%	11/20/60	1,569,214	1,572,371(a)
Government National Mortgage Association (GNMA), 2011-H03 FA	0.744%	1/20/61	184,348	185,160(a)
Government National Mortgage Association (GNMA), 2011-H05 FB	0.744%	12/20/60	212,471	213,433(a)
Government National Mortgage Association (GNMA), 2011-H06 FA	0.694%	2/20/61	790,280	791,872(a)
Government National Mortgage Association (GNMA), 2011-H07 FA	0.744%	2/20/61	490,226	492,375(a)
Government National Mortgage Association (GNMA), 2011-H08 FD	0.744%	2/20/61	591,273	593,829(a)
Government National Mortgage Association (GNMA), 2011-H09 AF	0.744%	3/20/61	954,221	958,598(a)
Government National Mortgage Association (GNMA), 2011-H11 FB	0.744%	4/20/61	188,476	189,366(a)
Government National Mortgage Association (GNMA), 2012-H18 NA	0.764%	8/20/62	897,498	893,908(a)(f)
Granite Mortgages PLC, 2003-2 1A3	0.955%	7/20/43	56,307	55,654(a)(b)
Granite Mortgages PLC, 2004-1 2A1	0.699%	3/20/44	97,381	96,028(a)
Granite Mortgages PLC, 2004-3 2A1	0.659%	9/20/44	36,759	36,134(a)
GSMPS Mortgage Loan Trust, 2005-LT1 A1	0.447%	2/25/35	185,434	146,956(a)(b)(f)

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GSMPS Mortgage Loan Trust, 2005-RP2 1AF	0.567%	3/25/35	949,276	789,469(a)(b)
GSMPS Mortgage Loan Trust, 2005-RP3 1AF	0.567%	9/25/35	212,904	172,993(a)(b)
GSMPS Mortgage Loan Trust, 2006-RP2 1AF1	0.617%	4/25/36	450,857	376,845(a)(b)

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity	Face	Value
		Date	Amount	
Collateralized Mortgage Obligations continued				
Harborview Mortgage Loan Trust, 2004-10 4A	2.924%	1/19/35	404,370	\$ 409,939(a)
Harborview Mortgage Loan Trust, 2004-11 3A1A	0.569%	1/19/35	236,502	167,327(a)
Harborview Mortgage Loan Trust, 2005-14 3A1A	2.898%	12/19/35	237,796	193,725(a)
IMPAC Secured Assets Corp., 2005-2 A1	0.537%	3/25/36	2,070,044	1,203,884(a)
Indymac Index Mortgage Loan Trust, 2004-AR07 A2	1.077%	9/25/34	278,756	212,431(a)
Indymac Index Mortgage Loan Trust, 2004-AR08 2A2A	1.017%	11/25/34	75,088	56,539(a)
Indymac Index Mortgage Loan Trust, 2004-AR12 A1	0.997%	12/25/34	96,073	67,770(a)
Indymac Index Mortgage Loan Trust, 2005-AR21 4A1	3.171%	10/25/35	614,106	536,423(a)
JPMorgan Mortgage Trust, 2005-A3 3A4	2.583%	6/25/35	400,000	391,213(a)
Luminent Mortgage Trust, 2006-2 A1A	0.417%	2/25/46	947,248	526,378(a)
MASTR ARM Trust, 2003-6 2A1	2.688%	12/25/33	182,413	180,273(a)
MASTR ARM Trust, 2004-7 6M1	0.867%	8/25/34	550,000	451,857(a)
MASTR Asset Securitization Trust, 2003-11 6A16	5.250%	12/25/33	127,069	129,440
MASTR Reperforming Loan Trust, 2005-2 1A1F	0.567%	5/25/35	1,420,304	1,135,058(a)(b)
MASTR Reperforming Loan Trust, 2006-2 1A1	5.190%	5/25/36	517,028	485,136(a)(b)
MASTR Reperforming Loan Trust, 2006-2 2A1	3.140%	5/25/36	177,682	160,511(a)(b)
Morgan Stanley Mortgage Loan Trust, 2006-3AR 1A3	0.477%	3/25/36	379,319	224,521(a)
Morgan Stanley Mortgage Loan Trust, 2006-6AR 2A	2.883%	5/25/36	999,033	686,698(a)
Residential Accredit Loans Inc., 2004-QA2 A2	0.657%	6/25/34	646,716	645,508(a)
Residential Accredit Loans Inc., 2005-QO4 2A1	0.497%	12/25/45	439,932	303,374(a)
Residential Asset Mortgage Products Inc., 2003-SL1 M1	7.342%	4/25/31	826,319	720,141(a)
Structured ARM Loan Trust, 2004-09XS A	0.587%	7/25/34	852,128	775,526(a)
Structured ARM Loan Trust, 2004-20 1A1	2.828%	1/25/35	174,278	136,950(a)
Structured Asset Mortgage Investments Inc., 2004-AR3 1A1	0.819%	7/19/34	544,025	534,893(a)
Structured Asset Mortgage Investments Inc., 2006-AR2 A1	0.447%	2/25/36	887,034	536,899(a)
Structured Asset Mortgage Investments Inc., 2006-AR3 11A1	0.427%	4/25/36	395,662	254,610(a)
Structured Asset Securities Corp., 1998-2 M1	1.317%	2/25/28	45,269	43,441(a)
Structured Asset Securities Corp., 1998-3 M1	1.217%	3/25/28	86,186	83,786(a)
Structured Asset Securities Corp., 1998-8 M1	1.157%	8/25/28	270,779	256,217(a)
Structured Asset Securities Corp., 2005-4XS 3A4	4.790%	3/25/35	271,581	272,321
Structured Asset Securities Corp., 2005-RF1 A	0.567%	3/25/35	274,598	224,382(a)(b)
Structured Asset Securities Corp., 2005-RF2 A	0.567%	4/25/35	294,445	237,740(a)(b)
Structured Asset Securities Corp., 2005-RF3 1A	0.567%	6/25/35	271,923	219,669(a)(b)
Structured Asset Securities Corp., 2005-RF3 2A	3.499%	6/25/35	4,183,887	3,723,636(a)(b)
Voyager Dwnys Delaware Trust, 2009-1 UGL2, IO	1.068%	3/20/47	653	35(a)(b)(f)

See Notes to Financial Statements.

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Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
WaMu Mortgage Pass-Through Certificates, 2003-AR11 A6	2.466%	10/25/33	422,475	\$ 433,043(a)
WaMu Mortgage Pass-Through Certificates, 2004-AR14 A1	2.445%	1/25/35	219,455	223,405(a)
WaMu Mortgage Pass-Through Certificates, 2005-AR13 A1C3	0.707%	10/25/45	334,108	224,114(a)
WaMu Mortgage Pass-Through Certificates, 2007-HY3 1A1	2.593%	3/25/37	202,377	147,492(a)
WaMu Mortgage Pass-Through Certificates, 2007-OA6 1A	0.958%	7/25/47	1,280,227	1,011,596(a)
WaMu Mortgage Pass-Through Certificates, 2007-OA6 2A	2.344%	7/25/47	573,328	420,086(a)
Washington Mutual Inc., 2004-AR11	2.451%	10/25/34	267,435	267,657(a)
Washington Mutual Inc., 2004-AR12 A2A	0.640%	10/25/44	230,854	213,497(a)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2003-AR8	0.577%	10/25/45	783,417	648,789(a)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2004-AR13 A1A	0.610%	11/25/34	603,846	601,283(a)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2005-AR01 A1A	0.537%	1/25/45	39,114	37,053(a)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2005-AR01 A2A3	0.617%	1/25/45	175,591	165,570(a)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2006-AR08 1A3	2.728%	8/25/46	346,788	273,124(a)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2006-AR11 1A	1.108%	9/25/46	512,577	401,801(a)
Washington Mutual Inc. Pass-Through Certificates, 2003-AR10 A7	2.438%	10/25/33	174,702	180,444(a)
Washington Mutual Inc. Pass-Through Certificates, 2005-AR08 2AB3	0.577%	7/25/45	507,092	449,717(a)
Washington Mutual Inc. Pass-Through Certificates, 2006-AR02 A1A	1.088%	4/25/46	281,550	178,319(a)
Wells Fargo Mortgage Backed Securities Trust, 2004-DD 1A1	2.615%	1/25/35	616,238	614,021(a)
Total Collateralized Mortgage Obligations (Cost				\$40,964,812)
Collateralized Senior Loans 7.2%				
Consumer Discretionary 2.2%				
				39,787,444

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<i>Hotels, Restaurants & Leisure</i> 0.2%				
Caesars Entertainment Operating Co. Inc.,				
Extended Term Loan B6	5.467%	1/26/18	276,565	252,069(j)

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Media 1.6%				
Charter Communications Operating LLC, Extended Term Loan C	3.470%	9/6/16	656,762	\$ 658,632(j)
Charter Communications Operating LLC, Term Loan D	4.000%	5/15/19	498,750	502,054(j)
Univision Communications Inc., Extended Term Loan	4.466%	3/31/17	799,454	793,347(j)
Total Media				1,954,033
Multiline Retail 0.4%				
Neiman Marcus Group Inc., Extended Term Loan	4.750%	5/16/18	465,000	468,355(j)
Total Consumer Discretionary				2,674,457
Consumer Staples 1.2%				
Food Products 0.8%				
Del Monte Foods Co., Term Loan B	4.500%	3/8/18	958,759	959,159(j)
Household Products 0.4%				
Visant Corp., Term Loan B	5.250%	12/22/16	473,306	458,347(j)
Total Consumer Staples				1,417,506
Energy 0.1%				
Oil, Gas & Consumable Fuels 0.1%				
Chesapeake Energy Corp., Term Loan	8.500%	12/1/17	170,000	170,779(j)
Health Care 1.5%				
Biotechnology 0.8%				
Exopack LLC, Term Loan B	6.500%	5/31/17	987,500	984,209(j)
Health Care Providers & Services 0.7%				
Community Health Systems Inc., Term Loan	3.862 - 3.923%	1/25/17	30,326	30,505(j)
Emergency Medical Services Corp., Term Loan B	5.250%	5/25/18	254,017	255,658(j)
HCA Inc., Term Loan B	2.466%	11/18/13	630,983	632,264(j)
Total Health Care Providers & Services				918,427
Total Health Care				1,902,636
Industrials 0.2%				
Marine 0.0%				
Trico Shipping AS, New Term Loan A	10.000%	5/13/14	6,589	6,589(e)(j)
Trico Shipping AS, New Term Loan B		5/13/14	11,602	11,602(e)(k)
Total Marine				18,191
Road & Rail 0.2%				
Hertz Corp., Term Loan	3.750%	3/9/18	246,250	246,074(j)
Total Industrials				264,265

See Notes to Financial Statements.

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Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Information Technology 0.3%				
<i>IT Services 0.3%</i>				
First Data Corp., Extended Term Loan B	4.217%	3/23/18	301,701	\$ 288,930(j)
First Data Corp., Non-Extended Term Loan B2	2.967%	9/24/14	16,236	16,171(j)
Total Information Technology				305,101
Materials 0.6%				
<i>Construction Materials 0.6%</i>				
Fairmount Minerals Ltd., New Term Loan B	5.250%	3/15/17	735,484	734,932(j)
Telecommunication Services 0.6%				
<i>Diversified Telecommunication Services 0.6%</i>				
Intelsat Jackson Holdings Ltd., Term Loan	5.250%	4/2/18	742,481	746,148(j)
Utilities 0.5%				
<i>Electric Utilities 0.5%</i>				
Texas Competitive Electric Holdings Co. LLC, Extended Term Loan	4.728 - 4.938%	10/10/17	930,144	643,107(j)
Total Collateralized Senior Loans (Cost \$8,863,797)				8,858,931
Mortgage-Backed Securities 3.9%				
<i>GNMA 3.9%</i>				
Government National Mortgage Association (GNMA)	6.500%	8/15/34	402,431	472,639
Government National Mortgage Association (GNMA)	1.000%	9/28/72	910,000	912,275(f)
Government National Mortgage Association (GNMA), 2012 H	0.760%	10/30/62	700,000	700,000(f)
Government National Mortgage Association (GNMA) II	1.310%	8/20/58	175,848	177,958(a)
Government National Mortgage Association (GNMA) II	1.650%	10/20/59	188,023	192,254(a)
Government National Mortgage Association (GNMA) II	3.164%	10/20/59	75,348	79,963(a)
Government National Mortgage Association (GNMA) II	1.620%	12/20/59	794,972	812,859(a)
Government National Mortgage Association (GNMA) II	1.621%	12/20/59	233,745	239,004(a)
Government National Mortgage Association (GNMA) II	1.650%	1/20/60	860,468	866,099(a)(f)
Government National Mortgage Association (GNMA) II	1.426%	7/20/60	192,492	196,553(a)
Government National Mortgage Association (GNMA) II	1.484%	7/20/60	194,022	198,368(a)
Total Mortgage-Backed Securities (Cost \$4,840,114)				4,847,972

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Municipal Bonds 1.2%				
Carroll County, KY, PCR, Kentucky Utilities Co. Project, AMBAC	0.242%	10/1/32	500,000	\$ 402,029(a)(f)
Florida Educational Loan Marketing Corp., Education Loan Revenue	0.071%	12/1/18	700,000	629,724(a)(f)(l)
North Carolina State Education Assistance Authority Revenue, Student Loan Backed Notes	1.351%	10/25/41	400,000	390,172(a)
Total Municipal Bonds (Cost \$1,401,089)				1,421,925
Sovereign Bonds 4.1%				
Brazil 2.7%				
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/14	421,000BRL	213,100
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/17	5,902,000BRL	3,015,571
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/21	301,000BRL	151,843
Total Brazil				3,380,514
Mexico 0.3%				
United Mexican States, Medium-Term Notes	6.750%	9/27/34	265,000	378,685
Russia 0.4%				
Russian Foreign Bond Eurobond	12.750%	6/24/28	254,000	492,760(b)
Venezuela 0.7%				
Bolivarian Republic of Venezuela	5.750%	2/26/16	912,000	835,620(b)
Total Sovereign Bonds (Cost \$5,042,536)				5,087,579
U.S. Government & Agency Obligations 0.2%				
U.S. Government Obligations 0.2%				
U.S. Treasury Bonds	3.125%	2/15/42	190,000	202,142
U.S. Treasury Notes	0.500%	7/31/17	50,000	49,762
Total U.S. Government & Agency Obligations (Cost \$256,198)				251,904
			Shares	
Common Stocks 0.1%				
Consumer Discretionary 0.0%				
Media 0.0%				
Cumulus Media Inc., Class A Shares			1,407	3,855*
Industrials 0.1%				
Marine 0.1%				
DeepOcean Group Holding AS			3,101	56,284(e)(f)
Total Common Stocks (Cost \$72,508)				60,139
		Expiration Date	Rights	
Rights 0.0%				
Twin River Worldwide Holdings Inc. (Cost \$13,125)		11/5/17	75,000	5,063*

See Notes to Financial Statements.

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Schedule of investments (cont d)

September 30, 2012

Western Asset Variable Rate Strategic Fund Inc.

Security	Expiration Date	Warrants	Value
Warrants 0.0%			
Charter Communications Inc.	11/30/14	22	\$ 572*(f)
Nortek Inc.	12/7/14	115	575*(e)(f)
SemGroup Corp.	11/30/14	122	1,621*(e)(f)
Total Warrants (Cost \$1,510)			2,768
Total Investments before Short-Term Investments (Cost \$129,658,572)			128,691,756
	Rate	Maturity Date	Face Amount
Short-Term Investments 1.5%			
Repurchase Agreements 1.5%			
State Street Bank & Trust Co. repurchase agreement dated 9/28/12; Proceeds at maturity \$1,904,002; (Fully collateralized by U.S. Government Obligations, 3.125% due 11/15/41; Market value \$1,945,306)			
(Cost \$1,904,000)	0.010%	10/1/12	1,904,000
Total Investments 106.2% (Cost \$131,562,572#)			130,595,756
Liabilities in Excess of Other Assets (6.2)%			(7,655,636)
Total Net Assets 100.0%			\$122,940,120

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

* Non-income producing security.

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

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

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

(d) The coupon payment on these securities is currently in default as of September 30, 2012.

(e) Illiquid security (unaudited).

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

(g) Value is less than \$1.

(h) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.

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

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

(k) All or a portion of this loan is unfunded as of September 30, 2012. The interest rate for fully unfunded term loans is to be determined.

(l) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).

Aggregate cost for federal income tax purposes is \$131,946,821.

See Notes to Financial Statements.

Western Asset Variable Rate Strategic Fund Inc.**Abbreviations used in this schedule:**

ARM	Adjustable Rate Mortgage
BRL	Brazilian Real
IO	Interest Only
PAC	Planned Amortization Class
STRIPS	Separate Trading of Registered Interest and Principal Securities

Schedule of Written Options

Security	Expiration Date	Strike Rate	Notional Par	Value
Interest rate swaption with Credit Suisse, Put (Premiums received \$120,768)	8/26/14	2.50%	28,669,000	\$9,340

See Notes to Financial Statements.

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Statement of assets and liabilities

September 30, 2012

Assets:

Investments, at value (Cost \$131,562,572)	\$130,595,756
Foreign currency, at value (Cost \$11,585)	12,677
Cash	413
Interest receivable	838,152
Deposits with brokers for swap contracts	500,000
Receivable for securities sold	341,985
Swaps, at value (premiums paid \$3,164)	176,459
Deposits with brokers for open futures contracts	73,896
Receivable for open swap contracts	17,180
Receivable from broker variation margin on open futures contracts	4,484
Unrealized appreciation on forward foreign currency contracts	2,783
Prepaid expenses	13,834
Other receivables	11,215
Total Assets	132,588,834

Liabilities:

Payable for open reverse repurchase agreements	6,263,054
Payable for securities purchased	2,221,054
Swaps, at value (premiums received \$68)	826,188
Payable for open swap contracts	127,965
Investment management fee payable	80,066
Written options, at value (premiums received \$120,768)	9,340
Unrealized depreciation on forward foreign currency contracts	4,286
Interest payable	2,662
Directors' fees payable	84
Accrued expenses	114,015
Total Liabilities	9,648,714
Total Net Assets	\$122,940,120

Net Assets:

Par value (\$0.001 par value; 6,661,327 shares issued and outstanding; 100,000,000 shares authorized)	\$ 6,661
Paid-in capital in excess of par value	131,684,571
Undistributed net investment income	3,116,039
Accumulated net realized loss on investments, futures contracts, written options, swap contracts and foreign currency transactions	(10,345,605)
Net unrealized depreciation on investments, futures contracts, written options, swap contracts and foreign currencies	(1,521,546)
Total Net Assets	\$122,940,120

Shares Outstanding	6,661,327
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Net Asset Value	\$18.46
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See Notes to Financial Statements.

Statement of operations

For the Year Ended September 30, 2012

Investment Income:

Interest	\$ 7,403,114
Dividends	6,382
Total Investment Income	7,409,496

Expenses:

Investment management fee (Note 2)	967,810
Interest expense (Note 3)	103,938
Excise tax (Note 1)	83,994
Audit and tax	80,400
Shareholder reports	35,147
Legal fees	32,651
Stock exchange listing fees	20,791
Directors' fees	20,631
Transfer agent fees	19,180
Custody fees	11,692
Fund accounting fees	11,546
Insurance	3,644
Miscellaneous expenses	6,460
Total Expenses	1,397,884
Net Investment Income	6,011,612

Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):

Net Realized Gain (Loss) From:	
Investment transactions	(1,203,980)
Futures contracts	140,223
Written options	158,240
Swap contracts	(1,462,524)
Foreign currency transactions	197,479
Net Realized Loss	(2,170,562)
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	11,855,929
Futures contracts	(60,176)
Written options	95,370
Swap contracts	611,517
Foreign currencies	12,565
Change in Net Unrealized Appreciation (Depreciation)	12,515,205
Net Gain on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions	10,344,643
Increase in Net Assets from Operations	\$16,356,255

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended September 30,	2012	2011
Operations:		
Net investment income	\$ 6,011,612	\$ 5,756,628
Net realized loss	(2,170,562)	(6,850,323)
Change in net unrealized appreciation (depreciation)	12,515,205	4,013,918
<i>Increase in Net Assets From Operations</i>	<i>16,356,255</i>	<i>2,920,223</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(5,356,963)	(4,293,561)
Net realized gains	(267,682)	(267,682)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(5,356,963)</i>	<i>(4,561,243)</i>
Fund Share Transactions:		
Proceeds from shares issued on reinvestment of distribution (2,579 and 0 shares issued, respectively)	46,687	
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>46,687</i>	
<i>Increase (Decrease) in Net Assets</i>	<i>11,045,979</i>	<i>(1,641,020)</i>
Net Assets:		
Beginning of year	111,894,141	113,535,161
End of year*	\$122,940,120	\$111,894,141
* Includes undistributed net investment income of:	\$3,116,039	\$2,204,105

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout each year ended September 30:

	2012 ¹	2011 ¹	2010 ¹	2009 ¹	2008 ¹
Net asset value, beginning of year	\$16.80	\$17.05	\$15.18	\$15.12	\$18.85
Income (loss) from operations:					
Net investment income	0.90	0.86	0.82	0.75	0.96
Net realized and unrealized gain (loss)	1.56	(0.43)	1.66	0.04	(3.57)
Total income (loss) from operations	2.46	0.43	2.48	0.79	(2.61)
Less distributions from:					
Net investment income	(0.80)	(0.64)	(0.67)	(0.68)	(0.96)
Net realized gains		(0.04)		(0.05)	(0.16)
Total distributions	(0.80)	(0.68)	(0.67)	(0.73)	(1.12)
Increase in net asset value due to shares repurchased in tender offer			0.06		
Net asset value, end of year	\$18.46	\$16.80	\$17.05	\$15.18	\$15.12
Market price, end of year	\$18.45	\$15.43	\$15.86	\$13.78	\$12.00
Total return, based on NAV^{2,3}	15.05%	2.45%	17.08%	5.91%	(14.40)%⁴
Total return, based on Market Price⁵	25.59%	1.44%	20.40%	22.20%	(23.67)%⁴
Net assets, end of year (000s)	\$122,940	\$111,894	\$113,535	\$126,385	\$125,879
Ratios to average net assets:					
Gross expenses	1.20%	0.99%	1.09%	1.16%	1.06%
Net expenses ⁶	1.20	0.99	1.09	1.16	1.06
Net investment income	5.17	4.91	5.09	5.41	5.59
Portfolio turnover rate	18%	31%	43%	68% ⁷	77% ⁷

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 investment manager fully reimbursed the Fund for losses incurred resulting from an investment transaction error. Without this reimbursement, total return would not have changed.

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

6 The impact of compensating balance arrangements, if any, was less than 0.01%.

7 Excluding mortgage dollar roll transactions. If mortgage dollar roll transactions had been included, the portfolio turnover rate would have been 146% and 205% for the year ended September 30, 2009 and 2008, respectively.

See Notes to Financial Statements.

Notes to financial statements

1. Organization and significant accounting policies

Western Asset Variable Rate Strategic Fund Inc. (the Fund) was incorporated in Maryland on August 3, 2004 and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. The Fund's primary investment objective is to maintain a high level of current income.

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 Directors.

The Board of Directors 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 adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. 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 Directors, 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 Directors 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.)

Notes to financial statements (cont d)

- 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		\$42,139,179	\$ 0*	\$ 42,139,179
Asset-backed securities		26,228,852		26,228,852
Collateralized mortgage obligations		39,787,444		39,787,444
Collateralized senior loans		8,858,931		8,858,931
Mortgage-backed securities		4,847,972		4,847,972
Municipal bonds		1,421,925		1,421,925
Sovereign bonds		5,087,579		5,087,579
U.S. government & agency obligations		251,904		251,904
Common stocks:				
Consumer discretionary	\$3,855			3,855
Industrials			56,284	56,284
Rights		5,063		5,063
Warrants		2,193	575	2,768
Total long-term investments	\$3,855	\$128,631,042	\$56,859	\$128,691,756
Short-term investments		1,904,000		1,904,000
Total investments	\$3,855	\$130,535,042	\$56,859	\$130,595,756
Other financial instruments:				
Futures contracts	\$1,876			\$ 1,876
Forward foreign currency contracts		\$ 2,783		2,783
Interest rate swaps		166,294		166,294
Credit default swaps on corporate issues buy protection		10,165		10,165
Total other financial instruments	\$1,876	\$ 179,242		\$ 181,118
Total	\$5,731	\$130,714,284	\$56,859	\$130,776,874

LIABILITIES

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Written options		\$ 9,340		\$ 9,340
Futures contracts	\$14,781			14,781
Forward foreign current contracts		4,286		4,286
Interest rate swaps		825,250		825,250
Credit default swaps on corporate issues - buy protection		938		938
Total	\$14,781	\$839,814		\$854,595

* Amount represents less than \$1.

See Schedule of Investments for additional detailed categorizations.

Values include any premiums paid or received with respect to swap contracts.

(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) Reverse repurchase agreements. The Fund may enter into reverse repurchase agreements. Under the terms of a typical reverse repurchase agreement, a fund sells a security subject to an obligation to repurchase the security from the buyer at an agreed-upon time and price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the counterparty, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. In entering into reverse repurchase agreements, the Fund will maintain cash, U.S. government securities or other liquid debt obligations at least

Notes to financial statements (cont d)

equal in value to its obligations with respect to reverse repurchase agreements or will take other actions permitted by law to cover its obligations.

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

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. 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.

(e) 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.

(f) 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 contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). 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.

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.

For average notional amounts of swaps held during the year ended September 30, 2012, 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 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.

Notes to financial statements (cont d)

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.

Interest rate swaps

The Fund enters into interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate, on a notional principal amount. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss in the Statement of Operations. When a swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the original cost and the settlement amount of the closing transaction.

The risks of interest rate swaps include changes in market conditions that will affect the value of the contract or changes in the present value of the future cash flow streams and the possible inability of the counterparty to fulfill its obligations under the agreement. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that that amount is positive. This risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

(g) 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.

(h) Swaptions. The Fund purchases and writes swaption contracts to manage exposure to an underlying instrument. The Fund may also purchase or write options to manage exposure to fluctuations in interest rates or to enhance yield. Swaption contracts written by the Fund represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date. Swaption contracts purchased by the Fund represent an option that gives the Fund the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date.

Notes to financial statements (cont d)

When the Fund writes a swaption, 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 swaption written. If the swaption expires, the Fund realizes a gain equal to the amount of the premium received.

When the Fund purchases a swaption, an amount equal to the premium paid by the Fund is recorded as an investment on the Statement of Assets and Liabilities, the value of which is marked-to-market daily to reflect the current market value of the swaption purchased. If the swaption expires, the Fund realizes a loss equal to the amount of the premium paid.

Swaptions are marked-to-market daily based upon quotations from market makers. Changes in the value of the swaption are reported as unrealized gains or losses in the Statement of Operations.

(i) 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.

(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) 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.

(l) Unfunded loan commitments. The Fund may enter into certain credit agreements all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the borrower's discretion. The commitments are disclosed in the accompanying Schedule of Investments. At September 30, 2012 the Fund had sufficient cash and/or securities to cover these commitments.

(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

Notes to financial statements (cont d)

(iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

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

As of September 30, 2012, the Fund held written options, forward foreign currency contracts, credit default swaps and interest rate swaps with credit related contingent features which had a liability position of \$839,814. 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. As of September 30, 2012, the Fund had posted with its counterparties cash and/or securities as collateral to cover the net liability of these derivatives amounting to \$500,000, which could be used to reduce the required payment.

(n) 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.

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.

(o) Other risks. Consistent with its objective to seek high current income, the Fund may invest in instruments whose values and interest rates are linked to foreign currencies, interest rates, indices or some other financial indicator. The value at maturity or interest rates for these instruments will increase or decrease according to the change in the indicator to which they are indexed, amongst other factors. These securities are generally more volatile in nature, and the risk of loss of principal may be greater.

(p) 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.

(q) 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.

(r) 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.

(s) 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% of net realized gains exceed the distributions from such taxable income and realized gains for the calendar year. The Fund paid \$83,994 of Federal excise taxes attributable to calendar year 2011 in March 2012 and estimates it will pay approximately \$97,000 of Federal excise tax attributable to calendar year 2012.

Notes to financial statements (cont d)

(t) 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 values per share. During the current year, the following reclassifications have been made:

	Undistributed Net Investment Income	Accumulated Net Realized Loss	Paid-in Capital
(a)	\$ 83,994		\$(83,994)
(b)	173,291	\$(173,291)	

(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, differences between book and tax amortization of premium on fixed income securities, losses from mortgage backed securities treated as capital losses for tax purposes and book/tax differences in the treatment of swaps contracts.

2. Investment management agreement and other transactions with affiliates

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

LMPFA provides administrative and certain oversight services to the Fund. The Fund pays an investment management fee, calculated daily and paid monthly, at an annual rate of 0.75% of the Fund's average daily net assets plus the proceeds of any outstanding borrowings.

LMPFA delegates to Western Asset the day-to-day portfolio management of the Fund. Western Asset Limited and Western Singapore do not receive any compensation from the Fund. For its services, LMPFA pays Western Asset 70% of the net management fee it receives from the Fund. In turn, Western Asset pays Western Asset Limited and Western Singapore a subadvisory fee of 0.30% on assets managed by Western Asset Limited and Western Singapore, respectively.

During periods in which the Fund utilizes financial leverage, the fees which are payable to the investment manager as a percentage of the Fund's net assets will be higher than if the Fund did not utilize leverage because the fees are calculated as a percentage of the Fund's assets, including

those investments purchased with leverage.

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

3. Investments

During the year ended September 30, 2012, 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	\$ 9,476,154	\$12,410,208
Sales	33,963,981	149,891

At September 30, 2012, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	\$ 8,418,136
Gross unrealized depreciation	(9,769,201)
Net unrealized depreciation	\$(1,351,065)

Transactions in reverse repurchase agreements for the Fund during the year ended September 30, 2012 were as follows:

Average Daily Balance*	Weighted Average Interest Rate*	Maximum Amount Outstanding
\$12,755,763	0.81%	\$19,925,321

* Averages based on the number of days that Fund had reverse repurchase agreements outstanding.

Interest rates on reverse repurchase agreements ranged from 0.70% to 0.85% during the year ended September 30, 2012. Interest expense incurred on reverse repurchase agreements totaled \$103,938.

At September 30, 2012, the Fund had the following open reverse repurchase agreements:

Counterparty	Rate	Effective Date	Maturity Date

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				Face Amount of Reverse Repurchase Agreements
Deutsche Bank	0.85%	9/13/2012	1/8/2013	\$6,263,054

On September 30, 2012, the total market value of underlying collateral (refer to the Schedule of Investments for positions held at the counterparty as collateral for reverse repurchase agreements) for open reverse repurchase agreements was \$6,638,095.

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Notes to financial statements (cont d)

At September 30, 2012, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Gain (Loss)
Contracts to Buy:					
U.S. Treasury 2-Year Notes	67	12/12	\$14,773,718	\$14,775,594	\$1,876
Contracts to Sell:					
U.S. Treasury 10-Year Notes	19	12/12	2,521,422	2,536,203	(14,781)
Net unrealized loss on open futures contracts					\$(12,905)

During the year ended September 30, 2012, written option transactions for the Fund were as follows:

	Number of Contracts/ Notional Par	Premiums
Written options, outstanding as of September 30, 2011	28,669,023	\$128,456
Options written	10,000,207	150,552
Options closed		
Options exercised	(38)	(8,426)
Options expired	(10,000,192)	(149,814)
Written options, outstanding as of September 30, 2012	28,669,000	\$120,768

At September 30, 2012, the Fund had the following open forward foreign currency contracts:

Foreign Currency	Counterparty	Local Currency	Market Value	Settlement Date	Unrealized Gain (Loss)
Contracts to Buy:					
Euro	UBS AG	100,000	\$128,563	11/16/12	\$ 2,783
Contracts to Sell:					
Euro	UBS AG	100,000	128,563	11/16/12	(4,286)
Net unrealized loss on open forward foreign currency contracts					\$(1,503)

At September 30, 2012, the Fund held the following open swap contracts:

INTEREST RATE SWAPS

Swap Counterparty	Notional Amount	Termination Date	Payments Made by the Fund	Payments Received by the Fund	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Barclays Capital Inc.	\$ 10,000,000	6/14/16	Semi-Annually 1.785%	3-Month LIBOR		\$(462,052)
Barclays Capital Inc.	5,000,000	9/6/14	Semi-Annually 0.633%	3-Month LIBOR		(25,863)
Morgan Stanley & Co. Inc.	10,000,000	10/18/13	Semi-Annually 0.658%	3-Month LIBOR		(33,109)

Swap Counterparty	Notional Amount	Termination Date	Payments Made by the Fund	Payments Received by the Fund	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Credit Suisse First Boston Inc.	\$ 5,000,000	5/10/22	1.985% Semi-Annually	3-Month LIBOR		\$(167,016)
Barclays Capital Inc.	36,391,000	8/13/15	0.637% Semi-Annually	3-Month LIBOR		(122,266)
Barclays Capital Inc.	14,834,000	8/13/18	1.285% Semi-Annually	3-Month LIBOR		159,200
Barclays Capital Inc.	2,500,000	9/7/22	1.670% Semi-Annually	3-Month LIBOR		7,094
Barclays Capital Inc.	16,990,000	9/30/14	0.408% Semi-Annually	3-Month LIBOR		(14,944)
Total	\$100,715,000					\$(658,956)

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES BUY PROTECTION¹

Swap Counterparty (Reference Entity)	Notional Amount ²	Termination Date	Implied Credit Spread at September 30, 2012 ³	Periodic Payments Made by the Fund	Market Value ⁴	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Goldman Sachs Group Inc. (Assured Guaranty Municipal Corp., 0.480% due 11/15/13)	\$ 90,000	3/20/15	5.262%	5.000% quarterly	\$ 540	\$ 433	\$ 107
Goldman Sachs Group Inc. (Assured Guaranty Municipal Corp., 0.480% due 11/15/13)	120,000	3/20/20	6.410%	5.000% quarterly	8,774	2,359	6,415
Goldman Sachs Group Inc. (Assured Guaranty Municipal Corp., 0.480%, due 11/15/13)	60,000	3/20/13	2.181%	5.000% quarterly	(804)	(62)	(742)
Goldman Sachs Group Inc. (Assured Guaranty Municipal Corp., 0.480%, due 11/15/13)	10,000	3/20/13	2.181%	5.000% quarterly	(134)	(6)	(128)
Goldman Sachs Group Inc. (Assured Guaranty Municipal Corp., 0.480%, due 11/15/13)	20,000	3/20/15	5.262%	5.000% quarterly	120	134	(14)

Notes to financial statements (cont d)

Swap Counterparty (Reference Entity)	Notional Amount ²	Termination Date	Implied Credit Spread at September 30, 2012 ³	Periodic Payments Made by the Fund	Market Value ⁴	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Goldman Sachs Group Inc. (Assured Guaranty Municipal Corp., 0.480%, due 11/15/13)	\$ 10,000	3/20/20	6.410%	5.000% quarterly	\$ 731	\$ 238	\$ 493
Total	\$310,000				\$9,227	\$3,096	\$6,131

1 If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the underlying securities comprising the referenced index.

2 The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

3 Implied credit spreads, utilized in determining the market value of credit default swap agreements on corporate issues or sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads 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. A credit spread identified as "Defaulted" indicates a credit event has occurred for the referenced entity or obligation.

4 The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement been closed/sold as of the period end. Decreasing market values (sell protection) or increasing market values (buy protection) 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.

Percentage shown is an annual percentage rate.

4. Derivative instruments and hedging activities

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

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at September 30, 2012.

ASSET DERIVATIVES¹

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total
Futures contracts ²	\$ 1,876			\$ 1,876
Forward foreign currency contracts		\$2,783		2,783
Swap contracts ³	166,294		\$10,165	176,459
Total	\$ 168,170	\$2,783	\$10,165	\$181,118

LIABILITY DERIVATIVES¹

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total
Written options	\$ 9,340			\$ 9,340
Futures contracts ²	14,781			14,781
Forward foreign currency contracts		\$4,286		4,286
Swap contracts ³	825,250		\$938	826,188
Total	\$849,371	\$4,286	\$938	\$854,595

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

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

3 Values include premiums paid (received) on swap contracts which are shown separately in 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 September 30, 2012. 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
Written options	\$ 158,240			\$ 158,240
Futures contracts	140,223			140,223
Forward foreign currency contracts		\$232,018		232,018
Swap contracts	(1,457,154)		\$ (5,370)	(1,462,524)
Total	\$ (1,158,691)	\$232,018	\$ (5,370)	\$ (932,043)

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED**Total**

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	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	
Written options	\$ 95,370			\$ 95,370
Futures contracts	(60,176)			(60,176)
Forward foreign currency contracts		\$ (3,947)		(3,947)
Swap contracts	648,004		\$(36,487)	611,517
Total	\$ 683,198	\$ (3,947)	\$(36,487)	\$ 642,764

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Notes to financial statements (cont d)

During the year ended September 30, 2012, the volume of derivative activity for the fund was as follows:

	Average Market Value
Written options	\$ 82,414
Forward foreign currency contracts (to buy)	269,713
Forward foreign currency contracts (to sell)	723,440
Futures contracts (to buy)	20,622,230
Futures contracts (to sell)	7,953,982

	Average Notional Balance
Interest rate swap contracts	\$40,565,769
Credit default swap contracts (to buy protection)	310,000
Credit default swap contracts (to sell protection)	1,025,385

At September 30, 2012, there was no open position held in this derivative.

5. Distributions subsequent to September 30, 2012

On August 8, 2012, the Fund's Board of Directors (the Board) declared three distributions, each in the amount of \$0.0725 per share, payable on September 28, 2012, October 26, 2012 and November 30, 2012 to shareholders of record on September 21, 2012, October 19, 2012 and November 23, 2012, respectively. The October and November record date distributions were made subsequent to the year end of this report.

On November 8, 2012, the Board declared three distributions, each in the amount of \$0.0725 per share, payable on December 21, 2012, January 25, 2013 and February 22, 2013 to shareholders of record on December 14, 2012, January 18, 2013 and February 15, 2013, respectively.

6. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal years ended September 30, were as follows:

Distributions Paid From:	2012	2011
Ordinary income	\$5,356,963	\$4,561,243

As of September 30, 2012, the components of accumulated earnings on a tax basis were as follows:

Undistributed ordinary income net	\$ 3,222,375
Capital loss carryforward*	(9,974,261)
Other book/tax temporary differences(a)	(93,431)
Unrealized appreciation (depreciation)(b)	(1,905,795)
Total accumulated earnings (losses) net	\$(8,751,112)

* As of September 30, 2012, the Fund had the following net capital loss carryforward remaining:

Year of Expiration	Amount
No Expiration	\$(5,239,040)**
9/30/2019	(4,735,221)
	\$(9,974,261)

These amounts will be available to offset any future taxable capital gains.

** Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward these capital losses for an unlimited period. However, these losses will be required to be utilized prior to the Fund's other capital losses with the expiration dates listed above. Additionally, these capital losses retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

(a) Other book/tax temporary differences are attributable primarily to the realization for tax purposes of unrealized losses on certain futures and foreign currency contracts, differences between book/tax 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 the difference between book and tax amortization methods for premiums on fixed income securities.

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Western Asset Variable Rate Strategic Fund Inc. 2012 Annual Report

Report of independent registered public accounting firm

The Board of Directors and Shareholders

Western Asset Variable Rate Strategic Fund Inc.:

We have audited the accompanying statement of assets and liabilities of Western Asset Variable Rate Strategic Fund Inc., including the schedule of investments, as of September 30, 2012, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2012, by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Western Asset Variable Rate Strategic Fund Inc. as of September 30, 2012, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

New York, New York
November 16, 2012

Additional information (unaudited)**Information about Directors and Officers**

The business and affairs of Western Asset Variable Rate Strategic Fund Inc. (the Fund) are conducted by management under the supervision and subject to the direction of its Board of Directors. The business address of each Director is c/o R. Jay Gerken, 620 Eighth Avenue, 49th Floor, New York, New York 10018. Information pertaining to the Directors and officers of the Fund is set forth below.

Independent Directors :**Carol L. Colman**

Year of birth	1946
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class III
Term of office1 and length of time served	Since 2004
Principal occupation(s) during past five years	President, Colman Consulting Company (consulting)
Number of portfolios in fund complex overseen by Director (including the Fund)	28
Other board memberships held by Director	None

Daniel P. Cronin

Year of birth	1946
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class III
Term of office1 and length of time served	Since 2004
Principal occupation(s) during past five years	Retired; formerly, Associate General Counsel, Pfizer Inc. (prior to and including 2004)
Number of portfolios in fund complex overseen by Director (including the Fund)	28
Other board memberships held by Director	None

Paolo M. Cucchi

Year of birth	1941
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class I
Term of office1 and length of time served	Since 2007
Principal occupation(s) during past five years	Professor of French and Italian at Drew University; formerly, Vice President and Dean of College of Liberal Arts at Drew University (1984 to 2009)
Number of portfolios in fund complex overseen by Director (including the Fund)	28
Other board memberships held by Director	None

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Western Asset Variable Rate Strategic Fund Inc.

Additional information (unaudited) (continued)

Information about Directors and Officers

Independent Directors continued

Leslie H. Gelb

Year of birth	1937
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class II
Term of office1 and length of time served	Since 2004
Principal occupation(s) during past five years	President Emeritus and Senior Board Fellow (since 2003), The Council on Foreign Relations; formerly, President, (prior to 2003), the Council on Foreign Relations; formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, The New York Times
Number of portfolios in fund complex overseen by Director (including the Fund)	28
Other board memberships held by Director	Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1994)

William R. Hutchinson

Year of birth	1942
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class II
Term of office1 and length of time served	Since 2004
Principal occupation(s) during past five years	President, W.R. Hutchinson & Associates Inc. (Consulting) (since 2001)
Number of portfolios in fund complex overseen by Director (including the Fund)	28
Other board memberships held by Director	Director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc Corp. (banking) (since 1994)

Riordan Roett

Year of birth	1938
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class I
Term of office1 and length of time served	Since 2004
Principal occupation(s) during past five years	The Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University (since 1973)
Number of portfolios in fund complex overseen by Director (including the Fund)	28
Other board memberships held by Director	None

Independent Directors cont d**Jeswald W. Salacuse**

Year of birth	1938
Position(s) held with Fund ¹	Director and Member of the Nominating and Audit Committees, Class I
Term of office ¹ and length of time served	Since 2004
Principal occupation(s) during past five years	Henry J. Braker Professor of Commercial Law, The Fletcher School of Law and Diplomacy, Tufts University (since 1986); President and Member, Arbitration Tribunal, World Bank/ICSID (since 2004)
Number of portfolios in fund complex overseen by Director (including the Fund)	28
Other board memberships held by Director	Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1993)

Interested Director and Officer:**R. Jay Gerken²**

Year of birth	1951
Position(s) held with Fund ¹	Director, Chairman, President and Chief Executive Officer, Class II
Term of office ¹ and length of time served	Since 2004
Principal occupation(s) during past five years	Managing Director of Legg Mason & Co., LLC (Legg Mason & Co.) (since 2005); Officer and Trustee/Director of 159 funds associated with Legg Mason Partners Fund Advisor, LLC (LMPFA) or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); President and Chief Executive Officer (CEO) of LMPFA (since 2006); President and CEO of Smith Barney Fund Management LLC (SBFM) (formerly a registered investment advisers) (since 2002)
Number of portfolios in fund complex overseen by Director (including the Fund)	159
Other board memberships held by Director	None

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Western Asset Variable Rate Strategic Fund Inc.

Additional information (unaudited) (cont d)

Information about Directors and Officers

Additional Officers:

Ted P. Becker

Legg Mason

620 Eighth Avenue, New York, NY 10018

Year of birth

Position(s) held with Fund1

Term of office1 and length of time served

Principal occupation(s) during past five years

1951

Chief Compliance Officer

Since 2006

Director of Global Compliance at Legg Mason (since 2006); Chief Compliance Officer of LMPFA (since 2006); Managing Director of Compliance of Legg Mason & Co. (since 2005); Chief Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006)

Vanessa A. Williams

Legg Mason

100 First Stamford Place, Stamford, CT 06902

Year of birth

Position(s) with Fund1

Term of office1 and length of time served

Principal occupation(s) during past five years

1979

Identity Theft Prevention Officer

Since 2011

Vice President of Legg Mason & Co. (since 2012); Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Chief Anti-Money Laundering Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); formerly, Assistant Vice President and Senior Compliance Officer of Legg Mason & Co. (2008 to 2011); formerly, Compliance Analyst of Legg Mason & Co. (2006 to 2008) and Legg Mason & Co. predecessors (prior to 2006)

Robert I. Frenkel

Legg Mason

100 First Stamford Place, Stamford, CT 06902

Year of birth

Position(s) held with Fund

Term of office1 and length of time served

Principal occupation(s) during past five years

1954

Secretary and Chief Legal Officer

Since 2004

Vice President and Deputy General Counsel of Legg Mason (since 2006); Managing Director and General Counsel of Global Mutual Funds for Legg Mason & Co. (since 2006) and Legg Mason & Co. predecessors (since 1994); Secretary and Chief Legal Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006)

Western Asset Variable Rate Strategic Fund Inc.

Additional Officers cont d**Thomas C. Mandia****Legg Mason****100 First Stamford Place, Stamford, CT 06902**

Year of birth

Position(s) held with Fund1

Term of office1 and length of time served

Principal occupation(s) during past five years

1962

Assistant Secretary

Since 2006

Managing Director and Deputy General Counsel of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); Secretary of LMPFA (since 2006); Assistant Secretary of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); Secretary of SBFM and CFM (since 2002)

Richard F. Sennett**Legg Mason****100 International Drive, Baltimore, MD 21202**

Year of birth

Position(s) held with Fund1

Term of office1 and length of time served

Principal occupation(s) during past five years

1970

Principal Financial Officer

Since 2011

Principal Financial Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); 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)

Steven Frank**Legg Mason****55 Water Street, New York, NY 10041**

Year of birth

Position(s) held with Fund1

Term of office1 and length of time served

Principal occupation(s) during past five years

1967

Treasurer

Since 2010

Vice President of Legg Mason & Co. and Legg Mason & Co. predecessors (since 2002); Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2010); formerly, Controller of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010)

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Western Asset Variable Rate Strategic Fund Inc.

Additional information (unaudited) (continued)

Information about Directors and Officers

Additional Officers continued

Jeanne M. Kelly

Legg Mason

620 Eighth Avenue, New York, NY 10018

Year of birth

Position(s) with Fund¹

Term of office¹ and length of time served

Principal occupation(s) during past five years

1951

Senior Vice President

Since 2007

Senior Vice President of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2007); Senior Vice President of LMPFA (since 2006); Managing Director of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005)

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

¹ The Fund's Board of Directors is divided into three classes: Class I, Class II and Class III. The terms of office of the Class I, II and III Directors expire at the Annual Meetings of Stockholders in the year 2013, year 2014 and year 2015, respectively, or thereafter in each case when their respective successors are duly elected and qualified. The Fund's executive officers are chosen each year at the first meeting of the Fund's Board of Directors following the Annual Meeting of Stockholders, to hold office until the meeting of the Board following the next Annual Meeting of Stockholders and until their successors are duly elected and qualified.

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

Western Asset Variable Rate Strategic Fund Inc.

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

The Fund's Chief Executive Officer (CEO) has submitted to the NYSE the required annual certification and the Fund also has included the certifications of the Fund's CEO and 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.

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Western Asset Variable Rate Strategic Fund Inc.

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 (together with the CCO, "Complaint Officers"). Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:

Legg Mason & Co., LLC

Compliance Department

620 Eighth Avenue, 49th Floor

New York, New York 10018

Complaints may also be submitted by telephone at 1-800-742-5274.

Complaints submitted through this number will be received by the CCO.

Western Asset Variable Rate Strategic Fund Inc.

Dividend reinvestment plan (unaudited)

Unless you elect to receive distributions in cash (i.e., opt-out), all distributions, on your common shares (the **Common Shares**) will be automatically reinvested by American Stock Transfer & Trust Company (**AST**), as agent for the holders of Common Shares (the **Common Shareholders**) (the **Plan Agent**), in additional Common Shares under the Dividend Reinvestment Plan (the **Plan**). You may elect not to participate in the Plan by contacting the Plan Agent. If you do not participate, you will receive all cash distributions paid by check mailed directly to you by AST, as dividend paying agent.

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

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

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

The Plan Agent maintains all participants' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common Shares in your account will be held by the Plan Agent in noncertificated form. Any proxy you receive will include all Common Shares you have received under the Plan.

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Western Asset Variable Rate Strategic Fund Inc.

Dividend reinvestment plan (unaudited) (cont d)

You may withdraw from the Plan by notifying the Plan Agent in writing at 59 Maiden Lane, New York, New York 10038 or by calling the Plan Agent at 1-888-888-0151. Such withdrawal will be effective immediately if notice is received by the Plan Agent not less than ten business days prior to any distribution record date; otherwise such withdrawal will be effective as soon as practicable after the Plan Agent's investment of the most recently declared distribution on the Common Shares. The Plan may be terminated by the Fund upon notice in writing mailed to Common Shareholders at least 30 days prior to the record date for the payment of any distribution by the Fund for which the termination is to be effective. Upon any termination, you will be sent a certificate or certificates for the full Common Shares held for you under the Plan and cash for any fractional Common Shares. You may elect to notify the Plan Agent in advance of such termination to have the Plan Agent sell part or all of your shares on your behalf. You will be charged a service charge and the Plan Agent is authorized to deduct brokerage charges actually incurred for this transaction from the proceeds.

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

Automatically reinvesting distributions does not mean that you do not have to pay income taxes due upon receiving distributions.

The Fund reserves the right to amend or terminate the Plan if, in the judgment of the Board of Directors, the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan and your account may be obtained from the Plan Agent at 1-888-888-0151.

Western Asset Variable Rate Strategic Fund Inc.

Important tax information (unaudited)

The following information is provided with respect to the distributions paid during the taxable year ended September 30, 2012:

Record date:	Monthly	3/23/2012	Monthly
Payable date:	October 2011 through February 2012	3/30/2012	April 2012 through September 2012
Ordinary income:			
Qualified dividend income for individuals	0.03%	0.01%	
Dividends qualifying for the dividends received deduction for corporations	0.03%	0.01%	

Please retain this information for your records.

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 nonpublic personal information to authorized employees, who may use your nonpublic personal information for Fund business purposes only.

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

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

Revised April 2011

NOT PART OF THE ANNUAL REPORT

Western Asset Variable Rate Strategic Fund Inc.

Western Asset Variable Rate Strategic Fund Inc.
620 Eighth Avenue
49th Floor
New York, NY 10018

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

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

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

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

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

WASX01047 11/12 SR12-1791

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 William R. Hutchinson, a member of the Board's Audit Committee, possesses the technical attributes identified in Instruction 2(b) of Item 3 to Form N-CSR to qualify as an audit committee financial expert, and has designated Mr. Hutchinson as the Audit Committee's financial expert. Mr. Hutchinson is an independent 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 September 30, 2011 and September 30, 2012 (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 \$70,100 in 2011 and \$74,500 in 2012.

b) Audit-Related Fees. There were no fees billed in the Reporting Periods for assurance and related services by the Auditor that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of the Item 4 for Western Asset Variable Rate Strategic Fund Inc.

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 Variable Rate Strategic Fund Inc. (service affiliates), that were reasonably related to the performance of the annual audit of the service affiliates. Accordingly, there were no such fees that required pre-approval by the Audit Committee for the Reporting Periods.

(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 \$3,300 in 2011 and \$0 in 2012. 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.

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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. There were no other fees billed in the Reporting Periods for products and services provided by the Auditor, other than the services reported in paragraphs (a) through (c) of this Item 4 for the Western Asset Variable Rate Strategic Fund Inc..

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

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

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

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

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

(2) For the Western Asset Variable Rate Strategic Fund Inc., the percentage of fees that were approved by the audit committee, with respect to: Audit-Related Fees were 100% and 100% for 2011 and 2012; Tax Fees were 100% and 100% for 2011 and 2012; and Other Fees were 100% and 100% for 2011 and 2012.

(f) N/A

(g) Non-audit fees billed by the Auditor for services rendered to Western Asset Variable Rate Strategic Fund Inc., LMPFA and any entity controlling, controlled by, or under common control with LMPFA that provides ongoing services to Western Asset Variable Rate Strategic Fund Inc. during the reporting period were \$0 in 2012.

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

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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

William R. Hutchinson

Paolo M. Cucchi

Daniel P. Cronin

Carol L. Colman

Leslie H. Gelb

Dr. Riordan Roett

Jeswald W. Salacuse

b) Not applicable

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

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

Proxy Voting Guidelines and Procedures

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

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The subadviser's Proxy Voting Policies and Procedures govern in determining how proxies relating to the fund's portfolio securities are voted and are provided below. Information regarding how each fund voted proxies (if any) relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge (1) by calling 888-777-0102, (2) on the fund's website at <http://www.lmcef.com> and (3) on the SEC's website at <http://www.sec.gov>.

Background

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

voting proxies, the Department of Labor has determined that the responsibility for these votes lies with the Investment Manager.

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

Policy

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

Procedures

Responsibility and Oversight

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

Client Authority

The Investment Management Agreement for each client is reviewed at account start-up for proxy voting instructions. If an agreement is silent on proxy voting, but contains an overall delegation of discretionary authority or if the account represents assets of an ERISA plan, Western Asset will assume responsibility for proxy voting. The Legal and Compliance Department maintains a matrix of proxy voting authority.

Proxy Gathering

Registered owners of record, client custodians, client banks and trustees (Proxy Recipients) that receive proxy materials on behalf of clients should forward them to Corporate Actions. Proxy Recipients for new clients (or, if Western Asset becomes aware that the applicable Proxy Recipient for an existing client has changed, the Proxy Recipient for the existing client) are notified at start-up of appropriate routing to

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Corporate Actions of proxy materials received and reminded of their responsibility to forward all proxy materials on a timely basis. If Western Asset personnel other than Corporate Actions receive proxy materials, they should promptly forward the materials to Corporate Actions.

Proxy Voting

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

- a. Proxies are reviewed to determine accounts impacted.

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

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

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

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

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

Timing

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

Recordkeeping

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

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

b. Copies of proxy statements received regarding client securities.

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

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

e. A proxy log including:

1. Issuer name;
 2. Exchange ticker symbol of the issuer's shares to be voted;
 3. Committee on Uniform Securities Identification Procedures (CUSIP) number for the shares to be voted;
 4. A brief identification of the matter voted on;
 5. Whether the matter was proposed by the issuer or by a shareholder of the issuer;
 6. Whether a vote was cast on the matter;
-

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

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

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

Disclosure

Part II of the WA Form ADV, the WAML Form ADV and the WAMC Form ADV, each, contain a description of Western Asset's proxy policies. Clients will be provided a copy of these policies and procedures upon request. In addition, upon request, clients may receive reports on how their proxies have been voted.

Conflicts of Interest

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

1. Whether Western Asset (or, to the extent required to be considered by applicable law, its affiliates) manages assets for the company or an employee group of the company or otherwise has an interest in the company;
2. Whether Western Asset or an officer or director of Western Asset or the applicable portfolio manager or analyst responsible for recommending the proxy vote (together, "Voting Persons") is a close relative of or has a personal or business relationship with an executive, director or person who is a candidate for director of the company or is a participant in a proxy contest; and
3. Whether there is any other business or personal relationship where a Voting Person has a personal interest in the outcome of the matter before shareholders.

Voting Guidelines

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

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

I. Board Approved Proposals

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

1. Matters relating to the Board of Directors

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

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

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

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

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

2. Matters relating to Executive Compensation

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

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

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

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

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

3. Matters relating to Capitalization

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

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

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

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

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

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

5. Matters relating to Anti-Takeover Measures

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

- a. Western Asset votes on a case-by-case basis on proposals to ratify or approve shareholder rights plans.
- b. Western Asset votes on a case-by-case basis on proposals to adopt fair price provisions.

6. Other Business Matters

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

- a. Western Asset votes on a case-by-case basis on proposals to amend a company's charter or bylaws.
- b. Western Asset votes against authorization to transact other unidentified, substantive business at the meeting.

II. Shareholder Proposals

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

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

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

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

III. Voting Shares of Investment Companies

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

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

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

IV. Voting Shares of Foreign Issuers

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

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

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

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

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

Retirement Accounts

For accounts subject to ERISA, as well as other Retirement Accounts, Western Asset is presumed to have the responsibility to vote proxies for the client. The Department of Labor (DOL) has issued a bulletin that states that investment managers have the responsibility to vote proxies on behalf of Retirement Accounts unless the authority to vote proxies has been specifically reserved to another named fiduciary. Furthermore, unless Western Asset is expressly precluded from voting the proxies, the DOL has determined that the responsibility remains with the investment manager.

In order to comply with the DOL's position, Western Asset will be presumed to have the obligation to vote proxies for its Retirement Accounts unless Western Asset has obtained a specific written instruction indicating that: (a) the right to vote proxies has been reserved to a named fiduciary of the client, and (b) Western Asset is precluded from voting proxies on behalf of the client. If Western Asset does not receive such an instruction, Western Asset will be responsible for voting proxies in the best interests of the Retirement Account client and in accordance with any proxy voting guidelines provided by the client.

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

(a)(1):

NAME AND ADDRESS	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
<p>Stephen A. Walsh</p> <p>Western Asset</p> <p>385 East Colorado Blvd. Pasadena, CA 91101</p>	<p>Since 2006</p>	<p>Co-portfolio manager of the fund; Deputy Chief Investment Officer of Western Asset from 2000 to 2008; Chief Investment Officer of Western Asset since 2008.</p>
<p>Andrea Mack</p> <p>Western Asset</p> <p>385 East Colorado Blvd. Pasadena, CA 91101</p>	<p>Since 2007</p>	<p>Co-portfolio manager of the fund; portfolio manager at Western Asset for the past five years.</p>
<p>Dennis McNamara</p> <p>Western Asset</p> <p>385 East Colorado Blvd. Pasadena, CA 91101</p>	<p>Since 2010</p>	<p>Co-portfolio manager of the fund; portfolio manager at Western Asset since 2001.</p>
<p>Michael Y. Pak</p> <p>Western Asset</p> <p>385 East Colorado Blvd. Pasadena, CA 91101</p>	<p>Since 2010</p>	<p>Co-portfolio manager of the fund; portfolio manager at Western Asset since 2000.</p>

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

The following tables set forth certain additional information with respect to the fund's investment professionals for the fund. Unless noted otherwise, all information is provided as of September 30, 2012.

Other Accounts Managed by Investment Professionals

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

Portfolio Manager(s)	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Stephen A. Walsh	98 registered investment companies with \$181.3 billion in total assets under management	228 Other pooled investment vehicles with \$100.2 billion in assets under management*	730 Other accounts with \$178.0 on in total assets under management**
Andrea Mack	3 registered investment Companies with \$0.8 billion in total assets Under management	3 Other pooled investment vehicles with \$0.2 billion in assets under management	26 Other accounts with \$3.7 billion in total assets under management
Dennis McNamara	34 registered investment companies with \$135.5 billion in total assets under management	28 Other pooled investment vehicles with \$10.8 billion in assets under management*	152 Other accounts with \$52.1 on in total assets under management***
Michael Y. Pak	2 registered investment companies with \$0.6 billion in total assets under management	4 Other pooled investment vehicle with \$0.4 billion in assets under management	18 Other accounts with \$3.5 billion in total assets under management

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

** Includes 70 accounts managed, totaling \$16.5 billion, for which advisory fee is performance based.

*** Includes 8 accounts managed, totaling \$1.6 billion, for which advisory fee is performance based.

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

(a)(3): Investment Professional Compensation

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

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

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

Potential Conflicts of Interest

Conflicts of Interest

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

Some examples of material conflicts of interest include:

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Allocation of Limited Time and Attention. An investment professional who is responsible for managing multiple funds and/or accounts may devote unequal time and attention to the management of those funds and/or accounts. An investment professional may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those funds and accounts as might be the case if he or she were to devote substantially more attention to the management of a single fund. Such an investment

professional may make general determinations across multiple funds, rather than tailoring a unique approach for each fund. The effects of this conflict may be more pronounced where funds and/or accounts overseen by a particular investment professional have different investment strategies.

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

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

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

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

Variation in Financial and Other Benefits. A conflict of interest arises where the financial or other benefits available to an investment professional differ among the funds and/or accounts that he or she manages. If the amount or structure of the investment manager's management fee and/or an investment professional's compensation differs among funds and/or accounts (such as where certain funds or accounts pay higher management fees or performance-based management fees), the investment professional might be motivated to help certain funds and/or accounts over others. Similarly, the desire to maintain assets under management or to enhance the investment professional's performance record or to derive other rewards, financial or otherwise, could influence the investment professional in affording preferential treatment to those funds and/or accounts that could most significantly benefit the investment professional. An investment professional may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor such funds and/or accounts. Also, an investment professional's or the manager's or the subadviser's desire to increase assets under management could influence the investment professional to keep a fund open for new investors without regard to potential benefits of closing the fund to new investors. Additionally, the investment professional might be motivated to favor funds

and/or accounts in which he or she has an ownership interest or in which the investment manager and/or its affiliates have ownership interests. Conversely, if an investment professional does not personally hold an investment in the fund, the investment professional's conflicts of interest with respect to the fund may be more acute.

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

(a)(4): Investment Professional Securities Ownership

The table below identifies the dollar range of securities beneficially owned by each investment professional as of September 30, 2012.

Portfolio Manager(s)	Dollar Range of Portfolio Securities Beneficially Owned
Stephen A. Walsh	D
Andrea Mack	A
Dennis McNamara	E
Michael Y. Pak	A

Dollar Range ownership is as follows:

- A: none
- B: \$1 - \$10,000
- C: 10,001 - \$50,000
- D: \$50,001 - \$100,000
- E: \$100,001 - \$500,000
- F: \$500,001 - \$1 million
- G: over \$1 million

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

Not Applicable

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

Not Applicable

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 99.906CERT

SIGNATURES

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

Western Asset Variable Rate Strategic Fund Inc.

By: /s/ **R. Jay Gerken**
(R. Jay Gerken)
Chief Executive Officer of
Western Asset Variable Rate Strategic Fund Inc.

Date: November 26, 2012

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

By: /s/ **R. Jay Gerken**
(R. Jay Gerken)
Chief Executive Officer of
Western Asset Variable Rate Strategic Fund Inc.

Date: November 26, 2012

By: /s/ **Richard F. Sennett**
(Richard F. Sennett)
Principal Financial Officer of
Western Asset Variable Rate Strategic Fund Inc.

Date: November 26, 2012
