EVERGREEN INCOME ADVANTAGE FUND
Form N-CSR
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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 811-21269

Evergreen Income Advantage Fund

(Exact name of registrant as specified in charter)

200 Berkeley Street

Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq.

200 Berkeley Street

Boston, Massachusetts 02116

(Name and address of agent for service)

Registrant s telephone number, including area code: (617) 210-3200

Date of fiscal year end: April 30

Date of reporting period: April 30, 2010

Item 1 - Reports to Stockholders.

Evergreen Income Advantage Fund

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The fund will file its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund s Form N-Q will be available on the SEC s Web site at http://www.sec.gov. In addition, the fund s Form N-Q may be reviewed and copied at the SEC s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330.

A description of the fund s proxy voting policies and procedures, as well as information regarding how the fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by visiting our Web site at EvergreenInvestments.com or by visiting the SEC s Web site at http://www.sec.gov. The fund s proxy voting policies and procedures are also available without charge, upon request, by calling 800.343.2898.

Mutual Funds:

NOT FDIC INSURED MAY LOSE VALUE NOT BANK GUARANTEED

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Evergreen Investment Management Company, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company s broker/dealer subsidiaries. Evergreen mutual funds are distributed by **Wells Fargo Funds Distributor, LLC**, Member FINRA/SIPC, an affiliate of Wells Fargo & Company.

LETTER TO SHAREHOLDERS

June 2010

W. Douglas Munn

President and Chief Executive Officer

Dear Valued Shareholder:

We are pleased to provide you with this annual report for Evergreen Income Advantage Fund for the twelve-month period that ended April 30, 2010 (the period).

Leading up to the beginning of the period, a series of extraordinary financial and economic events affected the financial markets in the United States and throughout the world. After a prolonged period of uncertainty and falling share prices worldwide, stock markets staged a remarkable rally in 2009 that continued through the end of the year. In January 2010, concerns about the sustainability of the economic recovery led to a partial correction, but the markets quickly rebounded and ended the reporting period approximately where they began in 2010.

U.S. economic growth was strong throughout most of the period as the economic recovery appeared to gain momentum. Gross Domestic Product (GDP) returned to positive growth in the third quarter of 2009, following four consecutive quarters of contraction for the first time in at least 60 years. The consensus among economists was that the recession that began in December 2007 had likely ended during the summer of 2009. Originally, much of the growth was attributable to government stimulus, raising questions over the sustainability of the recovery. However, in the first quarter of 2010, GDP growth primarily reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, exports, and nonresidential fixed investment all signs that growth was finally being led by the private sector, a far more positive indicator of recovery than government-driven growth that is typically inefficient and unsustainable.

Employment data also turned positive during the period, another welcome sign that the economic recovery appeared to be moving toward self-sustainability. U.S. employers added 162,000 jobs in March 2010, the most in three years. The unemployment rate edged down to 9.9% at the end of the period, after having peaked at 10.1% in October 2009 its highest level in more than 25 years. Still, more than 8 million jobs were lost during the recession and the number of long-term unemployed those out of work for 27 weeks or longer continued to increase, ending the period at 6.7 million.

In other economic data, industrial production, manufacturing, and consumer sentiment had all improved significantly as the period came to a close. Retail sales strengthened significantly during the period, as well. Although housing inventory and foreclosure rates remained elevated, home sales and prices began to show signs of improvement in

LETTER TO SHAREHOLDERS continued

many areas of the country spurred in part by the government s $8,000 tax credit for first-time home buyers, which was extended through the end of April 2010.

Despite extensive quantitative easing measures by the Federal Reserve Board (the Fed), bank lending remained constrained during the period. This indicates that the trillions of dollars of government stimulus that were added to the monetary system might not have an inflationary impact in the near term. Throughout the period, the Federal Open Market Committee (FOMC) held the federal funds rate at the range of 0% to 0.25% that it first targeted in December 2008. The Fed did, however, begin to remove some of its unconventional stimulus measures. It concluded its purchases of longer-term Treasuries in October 2009 and mortgage-backed securities in March 2010.

The FOMC s final statement during the period noted that economic activity continued to strengthen, the labor market was stabilizing, business spending had risen significantly, and inflation remained subdued. However, the committee also noted that unemployment remained high and credit continued to be tight, reiterating that it was likely to keep the federal funds rate at exceptionally low levels for an extended period because of the continued substantial economic slack.

Exceptional performance by corporate issues was the big story in the fixed income markets for much of the period as the economy began to gain strength. Treasuries, on the other hand, were characterized by volatility, especially near the end of the period. Factors such as supply, the debt crisis in Greece, and unpredictable economic indicators contributed to price volatility on the longer Treasury notes and bonds. Longer maturities in the corporate and municipal markets generally outperformed longer Treasuries during much of the period.

During the period, the investment managers of Evergreen Income Advantage Fund maintained what they felt was a relatively conservative positioning in their investments in lower-rated, higher-yielding corporate bonds. They also made selective use of the fund s ability to borrow at short-term rates to make additional investments in higher-yielding securities.

We believe the changing conditions in the investment environment over the period have underscored the value of a well-diversified, long-term investment strategy to help soften the effects of volatility in any one market or asset class. As always, we encourage investors to maintain diversified investment portfolios in pursuit of their long-term investment goals.

LETTER TO SHAREHOLDERS continued

Please visit us at **EvergreenInvestments.com** for more information about our funds and other investment products available to you. Thank you for your continued support of Evergreen Investments.

Sincerely,

W. Douglas Munn

President and Chief Executive Officer

Evergreen Funds

Notice to Shareholders:

At meetings held on May 11 and June 9-10, 2010, the Board of Trustees of Evergreen Income Advantage Fund (the Fund) unanimously approved a new advisory contract with Wells Fargo Funds Management, LLC and a new sub-advisory contract with Wells Capital Management Incorporated (the Agreements). Shareholders are being asked to approve the Agreements at a meeting to be held on July 9, 2010. Following approval of the Agreements, Phil Susser and Niklas Nordenfelt of Wells Capital Management Incorporated are expected to assume portfolio management responsibilities for the Fund, and the Fund will be renamed the Wells Fargo Advantage Income Opportunities Fund.

At the May 11 meeting, the Board also nominated seven persons for election to the Fund s Board as new Trustees, and nominated two current Trustees for re-election to the Fund s Board. Shareholders are being asked to elect these nominees at the July 9 meeting.

A Proxy Statement containing additional information about the Agreements and the nominees was provided to shareholders of record as of May 18, 2010.

FINANCIAL HIGHLIGHTS

(For a common share outstanding throughout each period)

	Year Ended April 30,				
	2010	**2009**	**2008**	**2007**	**2006**
Net asset value, beginning of period	$7.37	$12.32	$14.26	$14.06	$14.41
Income from investment operations					
Net investment income	1.06 [1]	1.35 [1]	1.64 [1]	1.62 [1]	1.59 [1]
Net realized and unrealized gains or losses on investments	2.41	(4.91)	(1.85)	0.36	0.03
Distributions to preferred shareholders from					
Net investment income	(0.01)	(0.08)	(0.37)	(0.37)	(0.26)
Net realized gains	0	0	0	0	(0.02)
Total from investment operations	3.46	(3.64)	(0.58)	1.61	1.34
Distributions to common shareholders from					
Net investment income	(1.08)	(1.31)	(1.36)	(1.41)	(1.54)
Net realized gains	0	0	0	0	(0.15)
Tax basis return of capital	(0.06)[1]	0	0	0	0
Total distributions to common shareholders	(1.14)	(1.31)	(1.36)	(1.41)	(1.69)
Net asset value, end of period	$9.69	$7.37	$12.32	$14.26	$14.06
Market value, end of period	$9.63	$7.30	$11.71	$14.70	$14.17
Total return based on market value[2]	49.84%	(25.48)%	(11.07)%	14.69%	11.91%
Ratios and supplemental data					
Net assets of common shareholders, end of period (thousands)	$676,144	$508,602	$849,573	$980,054	$953,102
Liquidation value of Preferred Shares, end of period (thousands)	$196,000	$196,000	$490,000	$490,000	$490,000
Asset coverage ratio, end of period	394%	315%	272%	299%	294%
Ratios to average net assets applicable to common shareholders					
Expenses including waivers/reimbursements and interest expense but excluding expense reductions	1.13%	2.30%	1.21%	1.19%	1.19%
Expenses including interest expense but excluding waivers/reimbursements and	1.79%	3.09%	1.21%	1.19%	1.19%

expense reductions										
Expenses including waivers/reimbursements but excluding expense reductions and interest expense	1.11	%	1.51	%	1.21	%	1.19	%	1.19	%
Interest expense[3]	0.02	%	0.79	%	0.00	%	0.00	%	0.00	%
Net investment income [4]	11.81	%	14.35	%	9.81	%	8.98	%	9.17	%
Portfolio turnover rate	108	%	88	%	102	%	45	%	49	%

1 Per share amount is based on average common shares outstanding during the period.
2 Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund s Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.
3 Interest expense ratio relates to interest associated with borrowings and/or leverage transactions.
4 The net investment income ratio reflects distributions paid to preferred shareholders.

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS

April 30, 2010

	Principal Amount	Value
CORPORATE BONDS 116.4%		
CONSUMER DISCRETIONARY 20.7%		
Auto Components 2.6%		
Affinia Group Intermediate Holdings, Inc., 10.75%, 08/15/2016 144A	$230,000	$252,713
Cooper Tire & Rubber Co., 7.625%, 03/15/2027	4,455,000	4,098,600
Goodyear Tire & Rubber Co.:		
7.86%, 08/15/2011	845,000	892,531
8.625%, 12/01/2011	1,420,000	1,482,125
8.75%, 08/15/2020	2,976,000	3,124,800
9.00%, 07/01/2015	1,137,000	1,188,165
10.50%, 05/15/2016	5,430,000	6,047,662
Metaldyne Corp., FRN, 5.46%, 04/09/2014	902,645	817,002
		17,903,598
Diversified Consumer Services 3.0%		
Carriage Services, Inc., 7.875%, 01/15/2015	4,195,000	4,153,050
Service Corporation International:		
7.50%, 04/01/2027	9,376,000	8,836,880
8.00%, 11/15/2021	880,000	915,200
StoneMor Partners, LP, 10.25%, 12/01/2017 144A	5,930,000	6,241,325
		20,146,455
Hotels, Restaurants & Leisure 3.5%		
Boyd Gaming Corp., 7.75%, 12/15/2012	950,000	945,250
Harrahs Entertainment Corp.:		
10.00%, 12/15/2018	1,530,000	1,323,450
11.25%, 06/01/2017	2,790,000	3,041,100
12.75%, 04/15/2018 144A	940,000	925,900
Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/2010 +	1,685,000	827,756
MGM MIRAGE:		
6.625%, 07/15/2015	920,000	793,500
8.50%, 09/15/2010	1,645,000	1,657,338
11.375%, 03/01/2018 144A	3,515,000	3,611,662
Midwest Gaming Borrower, LLC, 11.625%, 04/15/2016 144A	705,000	725,269
Pinnacle Entertainment, Inc., 7.50%, 06/15/2015	2,880,000	2,772,000
Pokagon Gaming Authority, 10.375%, 06/15/2014 144A	645,000	677,250
Scientific Games Corp., 9.25%, 06/15/2019 144A	1,130,000	1,217,575
Seneca Gaming Corp., 7.25%, 05/01/2012	385,000	383,075
Shingle Springs Tribal Gaming Authority, 9.375%, 06/15/2015 144A	2,790,000	2,371,500

Speedway Motorsports, Inc., 8.75%, 06/01/2016	2,075,000	2,220,250
Trump Entertainment Resorts, Inc., 8.50%, 06/01/2015	5,011,000	25,055
Wynn Resorts, Ltd., 7.875%, 11/01/2017 144A	380,000	387,600
		23,905,530
Household Durables 0.1%		
Lennar Corp., 12.25%, 06/01/2017	125,000	151,875
Sealy Corp., 10.875%, 04/15/2016 144A	149,000	169,860
		321,735

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2010

	Principal Amount	Value
CORPORATE BONDS continued		
CONSUMER DISCRETIONARY continued		
Internet & Catalog Retail 0.4%		
QVC, Inc.:		
7.375%, 10/15/2020 144A	$1,385,000	$1,405,775
7.50%, 10/01/2019 144A	990,000	1,014,750
Ticketmaster Entertainment, Inc., 10.75%, 08/01/2016	505,000	568,125
		2,988,650
Media 8.8%		
Cablevision Systems Corp.:		
7.75%, 04/15/2018	2,330,000	2,364,950
8.00%, 04/15/2020	3,750,000	3,815,625
8.625%, 09/15/2017 144A	210,000	221,550
CCH II, LLC, 13.50%, 11/30/2016	13,481,015	16,312,028
CCO Holdings, LLC, 8.125%, 04/30/2020 144A	940,000	961,150
Charter Communications, Inc., Step Bond:		
8.00%, 04/30/2012 144A	2,290,000	2,427,400
10.875%, 09/15/2014 144A	10,840,000	12,249,200
Clear Channel Communications, Inc., 9.25%, 12/15/2017 144A	650,000	696,312
DISH DBS, Corp., 7.875%, 09/01/2019	1,130,000	1,186,500
Lamar Media Corp.:		
7.875%, 04/15/2018 144A	470,000	482,925
9.75%, 04/01/2014	120,000	133,500
New Communications Holdings:		
8.25%, 04/15/2017 144A	3,680,000	3,790,400
8.50%, 04/15/2020 144A	4,400,000	4,532,000
8.75%, 04/15/2022 144A	6,770,000	6,973,100
Salem Communications Corp., 9.625%, 12/15/2016	485,000	518,950
Sirius XM Radio, Inc., 9.75%, 09/01/2015 144A	250,000	273,125
WMG Acquisition Corp., 9.50%, 06/15/2016 144A	115,000	124,200
XM Satellite Radio Holdings, Inc.:		
11.25%, 06/15/2013 144A	1,070,000	1,174,325
13.00%, 08/01/2013 144A	815,000	925,025
Young Broadcasting, Inc.:		
8.75%, 01/15/2014	3,619,000	8,324
10.00%, 03/01/2011	2,325,000	5,348
		59,175,937

Multiline Retail 0.2%		
Neiman Marcus Group, Inc., 9.75%, 10/15/2015 @	114,000	116,850
Saks, Inc., 9.875%, 10/01/2011	1,270,000	1,349,375
		1,466,225

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2010

	Principal Amount	Value
CORPORATE BONDS continued		
CONSUMER DISCRETIONARY continued		
Specialty Retail 1.1%		
American Achievement Corp.:		
8.25%, 04/01/2012 144A	$6,550,000	$6,533,625
Sr. Disc. Note, Step Bond, 10.25%, 10/01/2012	385,000	387,888
Limited Brands, Inc., 7.00%, 05/01/2020 #	470,000	479,400
		7,400,913
Textiles, Apparel & Luxury Goods 1.0%		
Oxford Industries, Inc., 11.375%, 07/15/2015	3,350,000	3,752,000
Visant Corp., 7.625%, 10/01/2012	3,235,000	3,247,131
		6,999,131
CONSUMER STAPLES 2.2%		
Beverages 0.0%		
Cott Beverages, Inc., 8.375%, 11/15/2017 144A	250,000	261,250
Food Products 2.2%		
Del Monte Foods Co.:		
6.75%, 02/15/2015	150,000	154,313
7.50%, 10/15/2019 144A	1,545,000	1,631,906
Dole Food Company, Inc.:		
8.00%, 10/01/2016 144A	1,225,000	1,267,875
13.875%, 03/15/2014	2,702,000	3,269,420
Smithfield Foods, Inc.:		
7.00%, 08/01/2011	3,035,000	3,110,875
10.00%, 07/15/2014 144A	4,150,000	4,658,375
Tyson Foods, Inc.:		
7.85%, 04/01/2016	155,000	168,175
10.50%, 03/01/2014	115,000	136,419
Viskase, Inc., 9.875%, 01/15/2018 144A	265,000	270,300
		14,667,658
ENERGY 17.0%		