

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

August 27, 2009

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

**FORM N-Q**

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

Investment Company Act file number 811-7920

Western Asset High Income Opportunity Fund Inc.  
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY  
(Address of principal executive offices)

10041  
(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: 1-800-451-2010

Date of fiscal year end: September 30

Date of reporting period: June 30, 2009

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ITEM 1.

SCHEDULE OF INVESTMENTS

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**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

**FORM N-Q**

**JUNE 30, 2009**

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## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited)

June 30, 2009

| Face<br>Amount                                | Security   | Value        |
|---|--|--------------|
| <b>CORPORATE BONDS &amp; NOTES</b> 91.3%      |  |              |
| <b>CONSUMER DISCRETIONARY</b> 17.4%           |  |              |
| <b>Auto Components</b> 0.5%                   |  |              |
| \$ 2,020,000                                  | Allison Transmission Inc., Senior Notes, 11.250% due 11/1/15 (a)(b)  | \$ 1,424,100 |
| 660,000                                       | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13                         | 221,100      |
| 1,722,000                                     | Visteon Corp., Senior Notes: 8.250% due 8/1/10 (c)   | 60,270       |
| 3,687,000                                     | 12.250% due 12/31/16 (a)(c)  | 147,480      |
|   | <b>Total Auto Components</b>   | 1,852,950    |
| <b>Automobiles</b> 0.3%                       |  |              |
| 2,665,000                                     | General Motors Corp.: Notes, 7.200% due 1/15/11 (c)  | 346,450      |
| 4,220,000                                     | Senior Debentures, 8.375% due 7/15/33 (c)  | 559,150      |
| 2,125,000                                     | Senior Notes, 7.125% due 7/15/13 (c)   | 270,938      |
|   | <b>Total Automobiles</b>   | 1,176,538    |
| <b>Diversified Consumer Services</b> 0.9%     |  |              |
| 3,290,000                                     | Education Management LLC/Education Management Finance Corp., Senior Subordinated Notes, 10.250% due 6/1/16 | 3,232,425    |
| <b>Hotels, Restaurants &amp; Leisure</b> 5.9% |  |              |
| 1,345,000                                     | Ameristar Casinos Inc., Senior Notes, 9.250% due 6/1/14 (a)  | 1,378,625    |
| 675,000                                       | Boyd Gaming Corp., Senior Subordinated Notes, 7.125% due 2/1/16  | 503,719      |
| 2,975,000                                     | Caesars Entertainment Inc., Senior Subordinated Notes, 8.125% due 5/15/11                                  | 2,484,125    |
| 618,000                                       | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12   | 602,550      |
| 1,400,000                                     | Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15 (a)                                      | 763,000      |
| 2,315,000                                     | El Pollo Loco Inc.: Senior Notes, 11.750% due 11/15/13   | 1,863,575    |
| 695,000                                       | Senior Secured Notes, 11.750% due 12/1/12 (a)  | 715,850      |
| 445,000                                       | Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15 (a)(c)     | 18,913       |
| 843,000                                       | Harrah's Operating Co. Inc.: Senior Notes, 10.750% due 2/1/16  | 413,070      |
| 193,000                                       | Senior Secured Notes, 10.000% due 12/15/18 (a)   | 111,940      |
| 2,235,000                                     | Harrahs Operating Escrow LLC/Harrahs Escrow Corp., Senior Secured Notes, 11.250% due 6/1/17 (a)            | 2,123,250    |
| 1,640,000                                     | Indianapolis Downs LLC & Capital Corp., Senior Secured Notes, 11.000% due 11/1/12 (a)                      | 1,279,200    |
| 3,030,000                                     | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 (c)                           | 1,227,150    |
| 95,000  | MGM MIRAGE Inc.: Senior Notes, 8.500% due 9/15/10  | 86,687       |
| 150,000                                       | Senior Secured Notes: 10.375% due 5/15/14 (a)  | 156,375      |
| 360,000                                       | 11.125% due 11/15/17 (a)   | 383,400      |

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|           |  |           |
|-----------|--|-----------|
| 3,090,000 | Senior Subordinated Notes, 8.375% due 2/1/11<br>Mohegan Tribal Gaming Authority, Senior Subordinated<br>Notes: | 2,487,450 |
| 1,385,000 | 6.375% due 7/15/09   | 1,353,837 |
| 225,000   | 6.875% due 2/15/15   | 147,375   |
| 765,000   | Pokagon Gaming Authority, Senior Notes, 10.375% due<br>6/15/14 (a)   | 753,525   |
| 1,065,000 | Sbarro Inc., Senior Notes, 10.375% due 2/1/15<br>Snoqualmie Entertainment Authority, Senior Secured<br>Notes:  | 654,975   |
| 790,000   | 5.384% due 2/1/14 (a)(d)   | 383,150   |
| 165,000   | 9.125% due 2/1/15 (a)<br>Station Casinos Inc.:   | 86,625    |
| 1,515,000 | Senior Notes:<br>6.000% due 4/1/12 (c)(e)  | 530,250   |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount  | Security  | Value             |
|---|---|-------------------|
| <b>Hotels, Restaurants &amp; Leisure 5.9% (continued)</b> |   |                   |
| \$ 2,265,000  | 7.750% due 8/15/16 (c)(e)   | \$ 792,750        |
| 85,000  | Senior Subordinated Notes, 6.625% due 3/15/18 (c)(e)  | 2,125             |
| 925,000   | Wendy s/Arby s Restaurants LLC, Senior Notes, 10.000% due 7/15/16 (a)   | 889,156           |
|   | <b>Total Hotels, Restaurants &amp; Leisure</b>  | <b>22,192,647</b> |
| <b>Household Durables 1.5%</b>                            |   |                   |
| 200,000   | American Greetings Corp., Senior Notes, 7.375% due 6/1/16   | 144,000           |
| 1,885,000   | K Hovnanian Enterprises Inc., Senior Notes, 11.500% due 5/1/13  | 1,639,950         |
| 1,790,000   | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11  | 1,781,050         |
| 2,250,000   | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, 9.750% due 9/1/12   | 2,115,000         |
|   | <b>Total Household Durables</b>   | <b>5,680,000</b>  |
| <b>Leisure Equipment &amp; Products 0.1%</b>              |   |                   |
| 310,000   | WMG Acquisition Corp., Senior Secured Notes, 9.500% due 6/15/16 (a)   | 310,000           |
| <b>Media 6.2%</b>   |   |                   |
|   | Affinion Group Inc.:  |                   |
|   | Senior Notes:   |                   |
| 1,150,000   | 10.125% due 10/15/13 (a)  | 1,069,500         |
| 380,000   | 10.125% due 10/15/13  | 353,400           |
| 4,200,000   | Senior Subordinated Notes, 11.500% due 10/15/15   | 3,612,000         |
| 275,000   | AMC Entertainment Inc., Senior Notes, 8.750% due 6/1/19 (a)   | 259,875           |
|   | CCH I LLC/CCH I Capital Corp.:  |                   |
| 930,000   | Senior Notes, 11.000% due 10/1/15 (c)(e)  | 111,600           |
| 6,965,000   | Senior Secured Notes, 11.000% due 10/1/15 (c)(e)  | 870,625           |
| 765,000   | CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 10/1/13 (c) (e)  | 807,075           |
|   | Cengage Learning Acquisitions Inc.:   |                   |
| 830,000   | Senior Notes, 10.500% due 1/15/15 (a)   | 676,450           |
| 1,380,000   | Senior Subordinated Notes, step bond to yield 13.249% due 7/15/15 (a)   | 1,014,300         |
| 360,000   | Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12 (c)(e)  | 5,400             |
| 650,000   | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11 (c) (e) | 5,200             |
| 2,930,000   | Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14 (a)(e)   | 3,047,200         |
| 1,500,000   | CSC Holdings Inc., Senior Notes, 8.500% due 6/15/15 (a)   | 1,481,250         |
| 670,000   | DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13   | 675,025           |
|   | DISH DBS Corp., Senior Notes:   |                   |
| 480,000   | 6.625% due 10/1/14  | 444,000           |
| 705,000   | 7.750% due 5/31/15  | 675,037           |
| 2,325,000   | Historic TW Inc., Senior Notes, 6.625% due 5/15/29  | 2,107,894         |

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|           |  |                   |
|-----------|--|-------------------|
| 2,160,000 | Idearc Inc., Senior Notes, 8.000% due 11/15/16 (c)                           | 67,500            |
| 1,915,000 | R.H. Donnelley Corp., Senior Notes, 8.875% due 1/15/16 (c)                   | 107,719           |
| 1,250,000 | Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12 | 840,625           |
| 1,060,000 | Sun Media Corp., Senior Notes, 7.625% due 2/15/13                            | 702,250           |
| 535,000   | Univision Communications Inc.: Senior Notes, 7.850% due 7/15/11              | 529,650           |
| 1,885,000 | Senior Secured Notes, 12.000% due 7/1/14 (a)                                 | 1,861,437         |
| 675,000   | UPC Holding BV, Senior Notes, 9.875% due 4/15/18 (a)                         | 645,469           |
| 1,002,000 | Virgin Media Finance PLC, Senior Notes: 9.125% due 8/15/16                   | 969,435           |
| 440,000   | 9.500% due 8/15/16   | 435,600           |
|           | <b>Total Media</b>   | <b>23,375,516</b> |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount                                   | Security  | Value             |
|--|---|-------------------|
| <b>Multiline Retail 0.8%</b>                     |   |                   |
| \$ 280,000                                       | Dollar General Corp., Senior Subordinated Notes,<br>11.875% due 7/15/17 (b)     | \$ 303,800        |
| 4,259,571  | Neiman Marcus Group Inc.:<br>Senior Notes, 9.000% due 10/15/15 (b)              | 2,534,445         |
| 215,000  | Senior Secured Notes, 7.125% due 6/1/28   | 131,150           |
|  | <b>Total Multiline Retail</b>   | <b>2,969,395</b>  |
| <b>Specialty Retail 0.6%</b>                     |   |                   |
| 225,000  | AutoNation Inc., Senior Notes, 3.131% due 4/15/13 (d)                           | 199,406           |
| 1,805,000  | Blockbuster Inc., Senior Subordinated Notes, 9.000% due<br>9/1/12               | 875,425           |
| 365,000  | Eye Care Centers of America, Senior Subordinated Notes,<br>10.750% due 2/15/15  | 366,825           |
| 155,000  | Limited Brands Inc., Senior Notes, 8.500% due 6/15/19 (a)                       | 148,747           |
| 790,000  | Michaels Stores Inc., Senior Notes, 10.000% due 11/1/14                         | 667,550           |
|  | <b>Total Specialty Retail</b>   | <b>2,257,953</b>  |
| <b>Textiles, Apparel &amp; Luxury Goods 0.6%</b> |   |                   |
| 2,340,000  | Oxford Industries Inc., Senior Secured Notes, 11.375%<br>due 7/15/15 (a)        | 2,328,300         |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>   | <b>65,375,724</b> |
| <b>CONSUMER STAPLES 2.1%</b>                     |   |                   |
| <b>Food Products 0.6%</b>                        |   |                   |
| 1,775,000  | Dole Food Co. Inc., Senior Notes:<br>7.250% due 6/15/10                         | 1,757,250         |
| 445,000  | 8.875% due 3/15/11  | 436,100           |
|  | <b>Total Food Products</b>  | <b>2,193,350</b>  |
| <b>Household Products 0.5%</b>                   |   |                   |
| 670,000  | American Achievement Corp., Senior Subordinated Notes,<br>8.250% due 4/1/12 (a) | 629,800           |
| 1,235,000  | Visant Holding Corp., Senior Notes, 8.750% due 12/1/13                          | 1,219,563         |
|  | <b>Total Household Products</b>   | <b>1,849,363</b>  |
| <b>Tobacco 1.0%</b>                              |   |                   |
| 385,000  | Alliance One International Inc., Senior Notes:<br>8.500% due 5/15/12            | 382,112           |
| 1,780,000  | 11.000% due 5/15/12   | 1,869,000         |
| 1,520,000  | 10.000% due 7/15/16 (a)   | 1,447,800         |
|  | <b>Total Tobacco</b>  | <b>3,698,912</b>  |
|  | <b>TOTAL CONSUMER STAPLES</b>   | <b>7,741,625</b>  |
| <b>ENERGY 13.4%</b>                              |   |                   |
| <b>Energy Equipment &amp; Services 2.5%</b>      |   |                   |
| 2,305,000  | ANR Pipeline Co., Debentures, 9.625% due 11/1/21                                | 3,266,936         |
| 1,150,000  | Complete Production Services Inc., Senior Notes, 8.000%<br>due 12/15/16         | 989,000           |
| 1,575,000  | Key Energy Services Inc., Senior Notes, 8.375% due<br>12/1/14                   | 1,397,812         |
| 60,000   | Southern Natural Gas Co., Senior Notes, 8.000% due<br>3/1/32                    | 63,787            |
| 3,270,000  | Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32                           | 3,573,234         |
|  | <b>Total Energy Equipment &amp; Services</b>                                    | <b>9,290,769</b>  |
| <b>Oil, Gas &amp; Consumable Fuels 10.9%</b>     |   |                   |
| 1,740,000  |   | 1,200,600         |



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|           |   |           |
|-----------|---|-----------|
|           | Atlas Pipeline Partners LP, Senior Notes, 8.750% due<br>6/15/18 |           |
| 4,172,000 | Belden & Blake Corp., Secured Notes, 8.750% due<br>7/15/12      | 3,400,180 |
| 945,000   | Berry Petroleum Co., Senior Notes, 10.250% due 6/1/14           | 959,175   |
| 2,845,000 | Chesapeake Energy Corp., Senior Notes:<br>6.625% due 1/15/16    | 2,510,712 |
| 1,180,000 | 6.250% due 1/15/18  | 985,300   |
| 1,185,000 | 7.250% due 12/15/18   | 1,036,875 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face Amount  | Security  | Value             |
|--|---|-------------------|
| <b>Oil, Gas &amp; Consumable Fuels 10.9% (continued)</b> |   |                   |
| \$ 360,000   | Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15                        | \$ 332,100        |
| 1,035,000  | Compagnie Generale de Geophysique-Veritas, Senior Notes, 9.500% due 5/15/16 (a)               | 1,037,588         |
| 4,092,174  | Corral Petroleum Holdings AB, Senior Secured Subordinated Bonds, 6.131% due 4/15/10 (a)(b)(d) | 2,393,922         |
| 415,000  | El Paso Corp., Medium-Term Notes, 7.800% due 8/1/31   | 340,594           |
| 345,000  | Encore Acquisition Co., Senior Subordinated Notes, 9.500% due 5/1/16                          | 341,550           |
| 1,380,000  | Enterprise Products Operating LLP:<br>Junior Subordinated Notes, 8.375% due 8/1/66 (d)        | 1,112,277         |
| 620,000  | Subordinated Notes, 7.034% due 1/15/68 (d)  | 457,917           |
| 2,500,000  | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11   | 2,437,500         |
| 1,410,000  | Forest Oil Corp., Senior Notes, 8.500% due 2/15/14 (a)  | 1,392,375         |
| 2,585,000  | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14                              | 1,835,350         |
| 940,000  | Mariner Energy Inc., Senior Notes:<br>7.500% due 4/15/13                                      | 860,100           |
| 555,000  | 8.000% due 5/15/17  | 463,425           |
| 1,060,000  | MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18   | 922,200           |
| 770,000  | OPTI Canada Inc., Senior Secured Notes:<br>7.875% due 12/15/14                                | 502,425           |
| 720,000  | 8.250% due 12/15/14   | 478,800           |
| 1,420,000  | Parallel Petroleum Corp., Senior Notes, 10.250% due 8/1/14                                    | 1,029,500         |
| 1,495,000  | Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13                                      | 1,495,000         |
| 630,000  | Petroplus Finance Ltd., Senior Notes:<br>6.750% due 5/1/14 (a)                                | 544,950           |
| 780,000  | 7.000% due 5/1/17 (a)   | 651,300           |
| 1,125,000  | Plains Exploration & Production Co., Senior Notes, 10.000% due 3/1/16                         | 1,161,563         |
| 1,200,000  | Quicksilver Resources Inc., Senior Notes:<br>8.250% due 8/1/15                                | 1,074,000         |
| 575,000  | 11.750% due 1/1/16  | 598,000           |
| 4,980,000  | SandRidge Energy Inc., Senior Notes, 8.625% due 4/1/15 (b)                                    | 4,494,450         |
| 3,485,000  | SemGroup LP, Senior Notes, 8.750% due 11/15/15 (a)(c)(e)                                      | 156,825           |
| 350,000  | Targa Resources Partners LP, Senior Notes, 8.250% due 7/1/16                                  | 298,375           |
| 700,000  | Teekay Corp., Senior Notes, 8.875% due 7/15/11  | 698,250           |
| 1,415,000  | VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17 (c)                                     | 171,569           |
| 1,325,000  | W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 (a)                                       | 1,026,875         |
| 1,275,000  | Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14                         | 1,188,937         |
| 1,303,000  | Williams Cos. Inc., Notes, 8.750% due 3/15/32   | 1,312,739         |
|  | <b>Total Oil, Gas &amp; Consumable Fuels</b>  | <b>40,903,298</b> |

|                         |              |  |            |
|-------------------------|--------------|--|------------|
| <b>FINANCIALS</b>       | <b>12.7%</b> | <b>TOTAL ENERGY</b>  | 50,194,067 |
| <b>Capital Markets</b>  | <b>0.1%</b>  |  |            |
|                         | 1,420,000    | Lehman Brothers Holdings Inc., Medium-Term Notes,<br>Senior Notes, 5.250% due 2/6/12 (c) | 216,550    |
| <b>Commercial Banks</b> | <b>1.1%</b>  |  |            |
|                         | 330,000      | Royal Bank of Scotland Group PLC:<br>Subordinated Bonds, 5.050% due 1/8/15               | 258,964    |
|                         | 765,000      | Subordinated Notes, 5.000% due 11/12/13  | 630,685    |
|                         | 3,090,000    | Wells Fargo Capital XIII, Medium-Term Notes, 7.700%<br>due 3/26/13 (d)(f)                | 2,566,662  |
|                         | 605,000      | Wells Fargo Capital XV, Junior Subordinated Notes,<br>9.750% due 9/26/13 (d) (f)         | 585,832    |
|                         |              | <b>Total Commercial Banks</b>  | 4,042,143  |
| <b>Consumer Finance</b> | <b>5.3%</b>  |  |            |
|                         | 3,120,000    | FMG Finance Pty Ltd., Senior Secured Notes, 10.625%<br>due 9/1/16 (a)                    | 3,010,800  |
|                         |              | Ford Motor Credit Co.:   |            |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount                                    | Security   | Value             |
|---|--|-------------------|
| <b>Consumer Finance 5.3% (continued)</b>          |  |                   |
| \$ 925,000  | Notes, 7.875% due 6/15/10  | \$ 878,816        |
| 477,000   | Senior Notes:  |                   |
| 1,000,000   | 5.879% due 6/15/11 (d)   | 414,394           |
| 960,000   | 9.875% due 8/10/11   | 925,472           |
| 9,860,000   | 3.889% due 1/13/12 (d)   | 744,000           |
|   | 12.000% due 5/15/15  | 9,229,975         |
|   | GMAC LLC:  |                   |
|   | Senior Notes:  |                   |
| 1,250,000   | 6.500% due 10/15/09 (a)  | 1,242,316         |
| 5,034,000   | 8.000% due 11/1/31 (a)   | 3,574,140         |
| 234,000   | Subordinated Notes, 8.000% due 12/31/18 (a)  | 150,930           |
|   | <b>Total Consumer Finance</b>  | <b>20,170,843</b> |
| <b>Diversified Financial Services 3.5%</b>        |  |                   |
| 1,485,000   | CCM Merger Inc., Notes, 8.000% due 8/1/13 (a)  | 1,032,075         |
| 525,000   | CIT Group Inc., Senior Notes:  |                   |
| 1,775,000   | 4.125% due 11/3/09   | 497,695           |
| 1,250,000   | 0.759% due 3/12/10 (d)   | 1,512,080         |
| 2,040,000   | Fresenius U.S. Finance II Inc., Senior Notes, 9.000% due 7/15/15 (a)                               | 1,309,375         |
|   | JPMorgan Chase & Co., Junior Subordinated Notes, 7.900% due 4/30/18 (d) (f)                        | 1,790,161         |
|   | Leucadia National Corp., Senior Notes:   |                   |
| 1,220,000   | 8.125% due 9/15/15   | 1,110,200         |
| 450,000   | 7.125% due 3/15/17   | 367,875           |
|   | TNK-BP Finance SA:   |                   |
| 1,525,000   | 7.875% due 3/13/18 (a)   | 1,288,625         |
|   | Senior Notes:  |                   |
| 150,000   | 7.500% due 7/18/16 (a)   | 128,625           |
| 744,000   | 7.875% due 3/13/18 (a)   | 617,520           |
| 2,850,000   | Vanguard Health Holdings Co., I LLC, Senior Discount Notes, step bond to yield 12.732% due 10/1/15 | 2,793,000         |
| 765,000   | Vanguard Health Holdings Co., II LLC, Senior Subordinated Notes, 9.000% due 10/1/14                | 736,313           |
|   | <b>Total Diversified Financial Services</b>  | <b>13,183,544</b> |
| <b>Insurance 0.6%</b>                             |  |                   |
| 2,830,000   | American International Group Inc.:   |                   |
|   | Junior Subordinated Debentures, 8.175% due 5/15/58 (a)(d)  | 808,101           |
|   | Senior Notes:  |                   |
| 1,360,000   | 5.450% due 5/18/17   | 716,815           |
| 385,000   | 8.250% due 8/15/18 (a)   | 226,873           |
| 590,000   | MetLife Capital Trust IV, Junior Subordinated Notes, 7.875% due 12/15/37 (a)                       | 479,068           |
|   | <b>Total Insurance</b>   | <b>2,230,857</b>  |
| <b>Real Estate Investment Trusts (REITs) 0.5%</b> |  |                   |
| 75,000  | Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15                                      | 47,625            |
| 425,000   | Host Hotels & Resorts, LP, Senior Notes, 6.375% due 3/15/15  | 369,750           |
|   | Ventas Realty LP/Ventas Capital Corp., Senior Notes:   |                   |

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|   |             |  |                  |
|---|-------------|--|------------------|
| 360,000   |             | 6.500% due 6/1/16  | 324,000          |
| 1,165,000                                       |             | 6.750% due 4/1/17  | 1,051,413        |
|   |             | <b>Total Real Estate Investment Trusts (REITs)</b>   | <b>1,792,788</b> |
| <b>Real Estate Management &amp; Development</b> | <b>0.5%</b> |  |                  |
| 660,400   |             | Ashton Woods USA LLC/Ashton Woods Finance Co.,<br>Senior Subordinated Notes, step bond to yield 23.322%<br>due 6/30/15 (a)(e)(g) | 247,650          |
|   |             | Realogy Corp.:   |                  |
| 2,300,000                                       |             | Senior Notes, 10.500% due 4/15/14  | 1,006,250        |
| 2,045,000                                       |             | Senior Subordinated Notes, 12.375% due 4/15/15   | 582,825          |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount   | Security  | Value      |
|--|---|------------|
| <b>Real Estate Management &amp; Development 0.5% (continued)</b> |   |            |
| \$ 204,742   | Senior Toggle Notes, 11.000% due 4/15/14 (b)  | \$ 65,517  |
|  | <b>Total Real Estate Management &amp; Development</b>                                   | 1,902,242  |
| <b>Thrifts &amp; Mortgage Finance 1.1%</b>                       |   |            |
| 5,340,000  | Ocwen Capital Trust I, Junior Subordinated Capital Securities, 10.875% due 8/1/27       | 4,325,400  |
|  | <b>TOTAL FINANCIALS</b>   | 47,864,367 |
| <b>HEALTH CARE 7.1%</b>  |   |            |
| <b>Health Care Equipment &amp; Supplies 0.6%</b>                 |   |            |
| 1,860,000  | Biomet Inc., Senior Notes:  |            |
| 310,000  | 10.375% due 10/15/17 (b)  | 1,808,850  |
|  | 11.625% due 10/15/17  | 305,350    |
|  | <b>Total Health Care Equipment &amp; Supplies</b>                                       | 2,114,200  |
| <b>Health Care Providers &amp; Services 6.5%</b>                 |   |            |
| 3,245,000  | CRC Health Corp., Senior Subordinated Notes, 10.750% due 2/1/16                         | 2,190,375  |
| 230,000  | DaVita Inc.:  |            |
| 1,640,000  | Senior Notes, 6.625% due 3/15/13  | 217,925    |
|  | Senior Subordinated Notes, 7.250% due 3/15/15   | 1,549,800  |
| 3,920,000  | HCA Inc.:   |            |
| 40,000   | Debentures, 7.500% due 11/15/95   | 2,074,099  |
| 3,623,000  | Senior Notes, 6.250% due 2/15/13  | 35,200     |
| 2,000,000  | Senior Secured Notes, 9.625% due 11/15/16 (b)   | 3,595,827  |
|  | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 1,970,000  |
| 2,350,000  | Tenet Healthcare Corp., Senior Notes:   |            |
| 1,200,000  | 7.375% due 2/1/13   | 2,126,750  |
| 2,465,000  | 9.000% due 5/1/15 (a)   | 1,215,000  |
|  | 10.000% due 5/1/18 (a)  | 2,600,575  |
| 530,000  | Universal Hospital Services Inc., Senior Secured Notes:                                 |            |
| 1,990,000  | 4.635% due 6/1/15 (d)   | 429,300    |
| 3,500,000  | 8.500% due 6/1/15 (b)   | 1,885,525  |
| 1,685,000  | US Oncology Holdings Inc., Senior Notes, 7.654% due 3/15/12 (b)(d)                      | 2,966,250  |
|  | US Oncology Inc., Senior Secured Notes, 9.125% due 8/15/17 (a)                          | 1,680,788  |
|  | <b>Total Health Care Providers &amp; Services</b>                                       | 24,537,414 |
| <b>Pharmaceuticals 0.0%</b>                                      |   |            |
| 4,870,000  | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 (c)(e)       | 24,350     |
|  | <b>TOTAL HEALTH CARE</b>  | 26,675,964 |
| <b>INDUSTRIALS 9.6%</b>  |   |            |
| <b>Aerospace &amp; Defense 0.9%</b>                              |   |            |
| 210,000  | Hawker Beechcraft Acquisition Co., Senior Notes:  |            |
| 4,385,000  | 8.500% due 4/1/15   | 109,200    |
|  | 8.875% due 4/1/15 (b)   | 1,863,625  |
| 1,460,000  | L-3 Communications Corp., Senior Subordinated Notes:                                    |            |
| 260,000  | 5.875% due 1/15/15  | 1,303,050  |
|  | 6.375% due 10/15/15   | 237,250    |
|  | <b>Total Aerospace &amp; Defense</b>  | 3,513,125  |
| <b>Airlines 1.9%</b>   |   |            |

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|           |  |           |
|-----------|--|-----------|
| 207,548   | Continental Airlines Inc., Pass-Through Certificates:<br>8.312% due 4/2/11 | 170,190   |
| 930,000   | 7.339% due 4/19/14   | 669,600   |
| 5,190,000 | DAE Aviation Holdings Inc., Senior Notes, 11.250% due<br>8/1/15 (a)        | 3,036,150 |
| 1,017,933 | Delta Air Lines Inc., Pass-Through Certificates, 8.954%<br>due 8/10/14     | 676,925   |
|           | United Airlines Inc., Pass-Through Certificates:                           |           |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

|  | Face<br>Amount | Security   | Value            |
|--|----------------|--|------------------|
| <b>Airlines 1.9% (continued)</b>                 |                |  |                  |
| \$   | 1,045,000      | 6.831% due 3/1/10  | \$ 1,159,950     |
|  | 962,968        | 8.030% due 7/1/11  | 953,338          |
|  | 460,000        | 6.932% due 9/1/11  | 598,000          |
|  |                | <b>Total Airlines</b>  | <b>7,264,153</b> |
| <b>Building Products 1.2%</b>                    |                |  |                  |
|  | 4,875,000      | Associated Materials Inc.:   |                  |
|  | 945,000        | Senior Discount Notes, 11.250% due 3/1/14  | 2,169,375        |
|  | 760,000        | Senior Subordinated Notes, 9.750% due 4/15/12  | 831,600          |
|  | 4,790,000      | Nortek Inc., Senior Secured Notes, 10.000% due 12/1/13                                     | 613,700          |
|  |                | NTK Holdings Inc., Senior Discount Notes, step bond to yield 29.868% due 3/1/14            | 407,150          |
|  | 320,000        | Owens Corning Inc., Subordinated Notes, 9.000% due 6/15/19                                 | 310,890          |
|  |                | <b>Total Building Products</b>   | <b>4,332,715</b> |
| <b>Commercial Services &amp; Supplies 1.9%</b>   |                |  |                  |
|  | 2,405,000      | DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13 | 2,320,825        |
|  | 2,495,000      | RSC Equipment Rental Inc.:   |                  |
|  | 745,000        | Senior Notes, 9.500% due 12/1/14   | 2,014,712        |
|  |                | Senior Secured Notes, 10.000% due 7/15/17 (a)(g)   | 745,000          |
|  |                | US Investigations Services Inc., Senior Subordinated Notes:                                |                  |
|  | 280,000        | 10.500% due 11/1/15 (a)  | 229,600          |
|  | 2,405,000      | 11.750% due 5/1/16 (a)   | 1,863,875        |
|  |                | <b>Total Commercial Services &amp; Supplies</b>  | <b>7,174,012</b> |
| <b>Machinery 0.3%</b>                            |                |  |                  |
|  | 730,000        | American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14                          | 640,575          |
|  | 270,000        | Terex Corp.:   |                  |
|  | 370,000        | Senior Notes, 10.875% due 6/1/16   | 271,350          |
|  |                | Senior Subordinated Notes, 8.000% due 11/15/17   | 286,288          |
|  |                | <b>Total Machinery</b>   | <b>1,198,213</b> |
| <b>Road &amp; Rail 1.8%</b>                      |                |  |                  |
|  | 240,000        | Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16                                 | 214,800          |
|  | 3,210,000      | Kansas City Southern de Mexico, Senior Notes:  |                  |
|  | 520,000        | 9.375% due 5/1/12  | 3,065,550        |
|  | 565,000        | 7.375% due 6/1/14  | 439,400          |
|  | 355,000        | 12.500% due 4/1/16 (a)   | 576,300          |
|  |                | Kansas City Southern Railway, Senior Notes, 13.000% due 12/15/13                           | 392,275          |
|  | 2,080,000      | RailAmerica Inc., Senior Secured Notes, 9.250% due 7/1/17 (a)                              | 2,017,600        |
|  |                | <b>Total Road &amp; Rail</b>   | <b>6,705,925</b> |
| <b>Trading Companies &amp; Distributors 1.3%</b> |                |  |                  |
|  | 1,445,000      | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (a)  | 1,231,863        |
|  | 465,000        | Ashtead Holdings PLC, Senior Secured Notes, 8.625% due 8/1/15 (a)                          | 398,738          |
|  | 2,755,000      | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16                              | 2,224,662        |



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|   |  |                   |
|---|--|-------------------|
| 2,410,000                                 | Penhall International Corp., Senior Secured Notes,<br>12.000% due<br>8/1/14 (a)(e) | 879,650           |
| <b>Transportation Infrastructure 0.3%</b> | <b>Total Trading Companies &amp; Distributors</b>                                  | <b>4,734,913</b>  |
| 1,470,000                                 | Swift Transportation Co., Senior Secured Notes:<br>8.633% due 5/15/15 (a)(d)       | 492,450           |
| 2,185,000                                 | 12.500% due 5/15/17 (a)  | 775,675           |
|   | <b>Total Transportation Infrastructure</b>   | <b>1,268,125</b>  |
|   | <b>TOTAL INDUSTRIALS</b>   | <b>36,191,181</b> |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount   | Security  | Value            |
|--|---|------------------|
| <b>INFORMATION TECHNOLOGY 1.7%</b>                       |   |                  |
| <b>Communications Equipment 0.5%</b>                     |   |                  |
| \$ 3,140,000   | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29                  | \$ 1,797,650     |
| <b>IT Services 0.7%</b>                                  |   |                  |
| 155,000  | Ceridian Corp., Senior Notes: 11.250% due 11/15/15                        | 130,394          |
| 1,430,000  | 12.250% due 11/15/15 (b)  | 1,038,537        |
| 250,000  | First Data Corp.: 5.625% due 11/1/11                                      | 143,750          |
| 1,385,000  | Senior Notes, 9.875% due 9/24/15 (a)                                      | 990,275          |
| 290,000  | SunGard Data Systems Inc., Senior Subordinated Notes, 10.250% due 8/15/15 | 269,338          |
|  | <b>Total IT Services</b>  | <b>2,572,294</b> |
| <b>Semiconductors &amp; Semiconductor Equipment 0.4%</b> |   |                  |
| 1,315,000  | Freescall Semiconductor Inc.: Senior Notes: 8.875% due 12/15/14           | 670,650          |
| 346,294  | 9.125% due 12/15/14 (b)   | 129,860          |
| 1,440,000  | Senior Subordinated Notes, 10.125% due 12/15/16                           | 496,800          |
| 600,000  | Sensata Technologies B.V., Senior Notes, 8.000% due 5/1/14                | 297,750          |
|  | <b>Total Semiconductors &amp; Semiconductor Equipment</b>                 | <b>1,595,060</b> |
| <b>Software 0.1%</b>                                     |   |                  |
| 430,000  | Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16     | 334,325          |
|  | <b>TOTAL INFORMATION TECHNOLOGY</b>                                       | <b>6,299,329</b> |
| <b>MATERIALS 8.6%</b>                                    |   |                  |
| <b>Chemicals 0.7%</b>                                    |   |                  |
| 1,270,000  | Ashland Inc., Senior Notes, 9.125% due 6/1/17 (a)                         | 1,323,975        |
| 3,670,000  | Georgia Gulf Corp., Senior Notes, 10.750% due 10/15/16 (c)(e)             | 385,350          |
| 455,000  | Methanex Corp., Senior Notes, 8.750% due 8/15/12                          | 436,800          |
| 494,000  | Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16                 | 434,720          |
|  | <b>Total Chemicals</b>  | <b>2,580,845</b> |
| <b>Containers &amp; Packaging 0.9%</b>                   |   |                  |
| 705,000  | BWAY Corp., Senior Subordinated Notes, 10.000% due 4/15/14 (a)            | 706,762          |
| 480,000  | Graham Packaging Co. L.P.: Senior Notes, 8.500% due 10/15/12              | 465,600          |
| 325,000  | Senior Subordinated Notes, 9.875% due 10/15/14                            | 303,875          |
| 725,000  | Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10 (c)(e)(g)         | 0                |
| 640,000  | Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16                           | 654,400          |
| 555,000  | Solo Cup Co.: Senior Secured Notes, 10.500% due 11/1/13 (a)               | 559,163          |
| 1,070,000  | Senior Subordinated Notes, 8.500% due 2/15/14                             | 882,750          |
|  | <b>Total Containers &amp; Packaging</b>                                   | <b>3,572,550</b> |
| <b>Metals &amp; Mining 3.7%</b>                          |   |                  |
| 1,785,000  |   | 1,474,856        |

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|           |  |           |
|-----------|--|-----------|
|           | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15                   |           |
| 4,890,404 | Noranda Aluminium Acquisition Corp., Senior Notes, 6.163% due 5/15/15 (b)(d) | 2,720,287 |
| 3,195,000 | Novelis Inc., Senior Notes, 7.250% due 2/15/15                               | 2,444,175 |
| 1,590,000 | Rio Tinto Finance USA Ltd., Senior Notes, 9.000% due 5/1/19                  | 1,770,235 |
| 3,795,000 | Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15                      | 3,111,900 |
|           | Teck Resources Ltd., Senior Secured Notes:                                   |           |
| 650,000   | 9.750% due 5/15/14 (a)   | 673,398   |
| 540,000   | 10.250% due 5/15/16 (a)  | 566,345   |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount                                     | Security  | Value             |
|--|---|-------------------|
| <b>Metals &amp; Mining 3.7% (continued)</b>        |   |                   |
| \$ 1,090,000                                       | 10.750% due 5/15/19 (a)   | \$ 1,173,555      |
|  | <b>Total Metals &amp; Mining</b>  | <b>13,934,751</b> |
| <b>Paper &amp; Forest Products 3.3%</b>            |   |                   |
| 5,310,000  | Abitibi-Consolidated Co. of Canada, Senior Secured Notes, 13.750% due 4/1/11 (a)(c)                   | 4,911,750         |
| 125,000  | Appleton Papers Inc.: Senior Notes, 8.125% due 6/15/11 (e)  | 81,875            |
| 5,375,000  | Senior Subordinated Notes, 9.750% due 6/15/14 (e)   | 1,854,375         |
| 2,180,000  | Georgia-Pacific LLC, Senior Notes, 8.250% due 5/1/16 (a)  | 2,125,500         |
| 3,525,000  | NewPage Corp., Senior Secured Notes: 7.278% due 5/1/12 (d)  | 1,744,875         |
| 375,000  | 10.000% due 5/1/12  | 181,875           |
| 1,617,635  | Newpage Holding Corp., Senior Notes, 8.579% due 11/1/13 (b)(d)  | 194,116           |
| 1,215,000  | Verso Paper Holdings LLC, Senior Secured Notes, 11.500% due 7/1/14 (a)                                | 1,117,800         |
|  | <b>Total Paper &amp; Forest Products</b>  | <b>12,212,166</b> |
|  | <b>TOTAL MATERIALS</b>  | <b>32,300,312</b> |
| <b>TELECOMMUNICATION SERVICES 9.5%</b>             |   |                   |
| <b>Diversified Telecommunication Services 5.9%</b> |   |                   |
| 1,620,000  | CC Holdings GS V LLC, Senior Notes, 7.750% due 5/1/17 (a)   | 1,587,600         |
| 385,000  | Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28                                  | 240,625           |
| 1,555,000  | GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10 (c)(e)(g)                            | 0                 |
| 980,000  | Hawaiian Telcom Communications Inc., Senior Subordinated Notes, 12.500% due 5/1/15 (c)(e)             | 98                |
| 1,345,000  | Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16  | 1,378,625         |
| 1,185,000  | Intelsat Corp., Senior Notes, 9.250% due 8/15/14 (a)  | 1,152,413         |
| 1,720,000  | Intelsat Intermediate Holding Co., Ltd., Senior Discount Notes, step bond to yield 11.988% due 2/1/15 | 1,548,000         |
| 170,000  | Intelsat Jackson Holdings Ltd., Senior Notes: 9.500% due 6/15/16 (a)                                  | 171,700           |
| 3,935,000  | 11.500% due 6/15/16 (a)   | 3,875,975         |
| 2,815,000  | Level 3 Financing Inc., Senior Notes: 12.250% due 3/15/13   | 2,688,325         |
| 2,320,000  | 9.250% due 11/1/14  | 1,914,000         |
| 1,710,000  | Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16 (a)                            | 1,658,700         |
| 240,000  | Qwest Communications International Inc., Senior Notes, 7.500% due 2/15/14                             | 220,200           |
| 3,000,000  | Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (a)                       | 1,852,500         |
| 2,263,000  | Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15 (a)                                    | 2,274,315         |
| 1,770,000  | Windstream Corp., Senior Notes, 8.625% due 8/1/16   | 1,703,625         |

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|  |             |   |            |
|--|-------------|---|------------|
| <b>Wireless Telecommunication Services</b> | <b>3.6%</b> | <b>Total Diversified Telecommunication Services</b>                     | 22,266,701 |
| 1,340,000                                  |             | ALLTEL Communications Inc., Senior Notes, 10.375%<br>due 12/1/17 (a)(b) | 1,598,679  |
| 610,000                                    |             | iPCS Inc., Senior Secured Notes, 3.153% due 5/1/13 (d)                  | 484,950    |
| 460,000                                    |             | MetroPCS Wireless Inc., Senior Notes:<br>9.250% due 11/1/14 (a)         | 457,700    |
| 130,000                                    |             | 9.250% due 11/1/14  | 129,838    |
| 350,000                                    |             | Sprint Capital Corp., Senior Notes:<br>7.625% due 1/30/11               | 347,812    |
| 605,000                                    |             | 8.375% due 3/15/12  | 598,950    |
| 655,000                                    |             | 6.875% due 11/15/28   | 468,325    |
| 7,930,000                                  |             | 8.750% due 3/15/32  | 6,423,300  |

*See Notes to Schedule of Investments.*

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Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount   | Security   | Value        |
|--|--|--------------|
| <b>Wireless Telecommunication Services 3.6% (continued)</b>  |  |              |
| \$ 3,700,000   | True Move Co., Ltd., Notes, 10.750% due 12/16/13 (a)   | \$ 2,849,000 |
|  | <b>Total Wireless Telecommunication Services</b>   | 13,358,554   |
|  | <b>TOTAL TELECOMMUNICATION SERVICES</b>  | 35,625,255   |
| <b>UTILITIES 9.2%</b>  |  |              |
| <b>Electric Utilities 2.9%</b>                               |  |              |
|  | Texas Competitive Electric Holdings Co. LLC, Senior Notes:   |              |
| 15,345,000   | 10.250% due 11/1/15  | 9,628,988    |
| 2,862,438  | 10.500% due 11/1/16 (b)  | 1,331,033    |
|  | <b>Total Electric Utilities</b>  | 10,960,021   |
| <b>Gas Utilities 0.7%</b>                                    |  |              |
| 2,730,000  | Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13            | 2,525,250    |
| <b>Independent Power Producers &amp; Energy Traders 5.6%</b> |  |              |
| 1,540,000  | AES Corp.:<br>Secured Notes, 8.750% due 5/15/13 (a)  | 1,570,800    |
| 3,000,000  | Senior Notes:<br>8.000% due 10/15/17   | 2,805,000    |
| 560,000  | 8.000% due 6/1/20  | 505,400      |
| 2,090,000  | Dynegy Holdings Inc.:<br>Senior Debentures, 7.625% due 10/15/26  | 1,306,250    |
| 3,165,000  | Senior Notes, 7.750% due 6/1/19  | 2,480,569    |
| 320,000  | Dynegy Inc., Bonds, 7.670% due 11/8/16   | 280,800      |
| 1,670,000  | Edison Mission Energy, Senior Notes:<br>7.750% due 6/15/16   | 1,369,400    |
| 1,150,000  | 7.200% due 5/15/19   | 862,500      |
| 1,785,000  | 7.625% due 5/15/27   | 1,151,325    |
| 4,007,100  | Energy Future Holdings Corp., Senior Notes, 11.250% due 11/1/17 (b)                                      | 2,464,366    |
| 326,503  | Mirant Mid Atlantic LLC, Pass-Through Certificates:<br>9.125% due 6/30/17                                | 324,054      |
| 1,159,410  | 10.060% due 12/30/28   | 1,114,483    |
| 780,000  | Mirant North America LLC, Senior Notes, 7.375% due 12/31/13  | 752,700      |
| 3,250,000  | NRG Energy Inc., Senior Notes:<br>7.250% due 2/1/14  | 3,160,625    |
| 105,000  | 7.375% due 1/15/17   | 99,225       |
| 890,000  | RRI Energy Inc., Senior Notes, 7.875% due 6/15/17  | 801,000      |
|  | <b>Total Independent Power Producers &amp; Energy Traders</b>  | 21,048,497   |
|  | <b>TOTAL UTILITIES</b>   | 34,533,768   |
|  | <b>TOTAL CORPORATE BONDS &amp; NOTES</b>   |              |
|  | (Cost \$423,262,441)   | 342,801,592  |
| <b>ASSET-BACKED SECURITY 0.0%</b>                            |  |              |
| <b>FINANCIAL 0.0%</b>  |  |              |
| <b>Diversified Financial Services 0.0%</b>                   |  |              |
| 9,956,016  | Airplanes Pass-Through Trust, Subordinated Notes,<br>10.875% due 3/15/19 (c)(e)(g) (Cost - \$10,603,191) | 0            |
| <b>COLLATERALIZED MORTGAGE OBLIGATION 0.1%</b>               |  |              |
| 1,515,064  | Countrywide Home Loan Mortgage Pass-Through Trust,<br>5.214% due 4/20/35 (d) (Cost - \$937,717)          | 575,724      |

*See Notes to Schedule of Investments.*

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Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Face<br>Amount                                     | Security  | Value        |
|--|---|--------------|
| <b>COLLATERALIZED SENIOR LOANS 2.5%</b>            |   |              |
| <b>CONSUMER DISCRETIONARY 1.0%</b>                 |   |              |
| <b>Auto Components 0.4%</b>                        |   |              |
| \$ 2,170,048                                       | Allison Transmission Inc., Term Loan B, 3.759% due 8/7/14 (d)   | \$ 1,731,002 |
| <b>Media 0.5%</b>                                  |   |              |
| 968,305  | Idearc Inc., Term Loan B, 4.250% due 11/1/14 (d)                | 418,100      |
| 1,500,000  | Newsday LLC, Term Loan, 9.750% due 7/15/13 (d)                  | 1,507,500    |
|  | <b>Total Media</b>  | 1,925,600    |
| <b>Specialty Retail 0.1%</b>                       |   |              |
| 250,000  | Michaels Stores Inc., Term Loan B, 2.676% due 10/31/13 (d)      | 199,167      |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>                             | 3,855,769    |
| <b>ENERGY 0.6%</b>                                 |   |              |
| <b>Energy Equipment &amp; Services 0.5%</b>        |   |              |
| 2,589,602  | Turbo Beta Ltd., Term Loan, 14.500% due 3/15/18 (b)(d)(e)       | 1,851,565    |
| <b>Oil, Gas &amp; Consumable Fuels 0.1%</b>        |   |              |
| 1,500,000  | Stallion Oilfield Services, Term Loan, 7.736% due 7/31/12 (d)   | 461,250      |
|  | <b>TOTAL ENERGY</b>   | 2,312,815    |
| <b>INDUSTRIALS 0.5%</b>                            |   |              |
| <b>Aerospace &amp; Defense 0.2%</b>                |   |              |
| 1,000,000  | Hawker Beechcraft, Term Loan B, 3.798% due 3/26/14 (d)          | 686,875      |
| <b>Airlines 0.1%</b>                               |   |              |
| 1,000,000  | United Airlines Inc., Term Loan B, 2.330% due 1/12/14 (d)       | 592,083      |
| <b>Commercial Services &amp; Supplies 0.1%</b>     |   |              |
| 250,000  | Rental Services Corp., Term Loan, 4.526% due 12/1/13 (d)        | 192,500      |
| <b>Trading Companies &amp; Distributors 0.1%</b>   |   |              |
| 1,120,195  | Penhall International Corp., Term Loan, 9.883% due 4/1/12 (d)   | 280,049      |
|  | <b>TOTAL INDUSTRIALS</b>  | 1,751,507    |
| <b>TELECOMMUNICATION SERVICES 0.4%</b>             |   |              |
| <b>Diversified Telecommunication Services 0.4%</b> |   |              |
| 1,250,000  | Level 3 Communications Inc., Term Loan, 11.500% due 3/13/14 (d) | 1,289,844    |
|  | <b>TOTAL COLLATERALIZED SENIOR LOANS</b>                        |              |
|  | (Cost \$11,963,081)   | 9,209,935    |
| <b>CONVERTIBLE BONDS &amp; NOTES 1.2%</b>          |   |              |
| <b>CONSUMER DISCRETIONARY 0.9%</b>                 |   |              |
| <b>Media 0.9%</b>                                  |   |              |
| 4,030,000  | Virgin Media Inc., Senior Notes, 6.500% due 11/15/16 (a)        | 3,143,400    |
| <b>INDUSTRIALS 0.3%</b>                            |   |              |
| <b>Marine 0.3%</b>                                 |   |              |
| 1,685,000  | Horizon Lines Inc., Senior Notes, 4.250% due 8/15/12            | 1,190,031    |
|  | <b>TOTAL CONVERTIBLE BONDS &amp; NOTES</b>                      |              |
|  | (Cost \$3,660,515)  | 4,333,431    |
| <b>SOVEREIGN BONDS 0.7%</b>                        |   |              |
| <b>Russia 0.7%</b>                                 |   |              |



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|   |   |           |
|---|---|-----------|
| 2,784,000                                     | Russian Federation, 7.500% due 3/31/30 (a) (Cost - \$3,047,096) | 2,768,688 |
| <b>Shares</b>                                 |   |           |
| <b>COMMON STOCKS 0.0%</b>                     |   |           |
| <b>CONSUMER DISCRETIONARY 0.0%</b>            |   |           |
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b> |   |           |
| 4,482   | Buffets Restaurant Holdings (g)*                                | 4,034     |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Shares   | Security   | Value          |
|--|--|----------------|
| <b>CONSUMER STAPLES 0.0%</b>                       |  |                |
| <b>Food Products 0.0%</b>                          |  |                |
| 73,499   | Aurora Foods Inc. (e)(g)*  | \$ 0           |
| <b>MATERIALS 0.0%</b>                              |  |                |
| <b>Chemicals 0.0%</b>                              |  |                |
| 1  | Pliant Corp. (e)(g)*   | 0              |
| <b>TELECOMMUNICATION SERVICES 0.0%</b>             |  |                |
| <b>Diversified Telecommunication Services 0.0%</b> |  |                |
| 3,736  | McLeodUSA Inc., Class A Shares (e)(g)*                                   | 0              |
| 20,125   | Pagemart Wireless (e)(g)*  | 201            |
|  | <b>TOTAL TELECOMMUNICATION SERVICES</b>                                  | <b>201</b>     |
|  | <b>TOTAL COMMON STOCKS</b>   |                |
|  | (Cost \$2,607,864)   | 4,235          |
| <b>CONVERTIBLE PREFERRED STOCKS 0.7%</b>           |  |                |
| <b>FINANCIALS 0.7%</b>                             |  |                |
| <b>Diversified Financial Services 0.7%</b>         |  |                |
| 3,030  | Bank of America Corp., 7.250% (Cost - \$3,008,006)                       | 2,533,171      |
| <b>PREFERRED STOCKS 0.4%</b>                       |  |                |
| <b>CONSUMER DISCRETIONARY 0.2%</b>                 |  |                |
| <b>Automobiles 0.2%</b>                            |  |                |
| 22,300   | Corts-Ford Motor Co., 7.400%   | 256,673        |
| 17,100   | Corts-Ford Motor Co., 8.000%   | 233,415        |
| 1,600  | Ford Motor Co., Series F, 7.550%   | 18,080         |
| 900  | General Motors Corp., 7.250%   | 2,419          |
| 10,100   | General Motors Corp., 7.250%   | 27,144         |
| 2,200  | General Motors Corp., 7.375%   | 5,912          |
| 400  | General Motors Corp., 7.375%   | 1,075          |
| 31,700   | General Motors Corp., 7.500%   | 85,194         |
|  | <b>Total Automobiles</b>   | <b>629,912</b> |
| <b>Media 0.0%</b>                                  |  |                |
| 4  | ION Media Networks Inc., Series B, 12.000% (e)(g)*                       | 0              |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>                                      | <b>629,912</b> |
| <b>FINANCIALS 0.2%</b>                             |  |                |
| <b>Consumer Finance 0.1%</b>                       |  |                |
| 1,181  | Preferred Blocker Inc., 7.000% (a)                                       | 507,978        |
| <b>Diversified Financial Services 0.1%</b>         |  |                |
| 3,400  | Preferred Plus, Trust, Series FRD-1, 7.400%                              | 38,930         |
| 8,400  | Saturns, Series F 2003-5, 8.125%   | 116,256        |
|  | <b>Total Diversified Financial Services</b>                              | <b>155,186</b> |
| <b>Thrifts &amp; Mortgage Finance 0.0%</b>         |  |                |
| 37,200   | Federal National Mortgage Association (FNMA), 8.250% (d)(h)*             | 49,848         |
|  | <b>TOTAL FINANCIALS</b>  | <b>713,012</b> |
|  | <b>TOTAL PREFERRED STOCKS</b>  |                |
|  | (Cost \$2,974,177)   | 1,342,924      |
| <b>Warrants</b>                                    |  |                |
| <b>WARRANTS 0.0%</b>                               |  |                |
| 1,981  | Buffets Restaurant Holdings, Expires 4/28/14 (e)(g)*                     | 0              |
| 1,705  | Cybernet Internet Services International Inc., Expires 7/1/09 (a)(e)(g)* | 0              |
| 1,555  | GT Group Telecom Inc., Class B Shares, Expires 2/1/10 (a)(e)(g)*         | 0              |

1,000

Jazztel PLC, Expires 7/15/10 (a)(e)(g)\*

0

*See Notes to Schedule of Investments.*

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2009

| Warrants                          | Security   | Value                 |
|-----------------------------------|--|-----------------------|
| <b>WARRANTS 0.0% (continued)</b>  |  |                       |
| 1                                 | Turbo Cayman Ltd., Expires 11/1/14 (g)*  | \$ 0                  |
|                                   | <b>TOTAL WARRANTS</b>  |                       |
|                                   | (Cost \$331,526)   | 0                     |
|                                   | <b>TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT</b>  |                       |
|                                   | (Cost \$462,395,614)   | 363,569,700           |
| <b>Face Amount</b>                |  |                       |
| <b>SHORT-TERM INVESTMENT 1.6%</b> |  |                       |
| <b>Repurchase Agreement 1.6%</b>  |  |                       |
| \$ 6,072,000                      | Morgan Stanley tri-party repurchase agreement dated 6/30/09, 0.030% due 7/1/09; Proceeds at maturity - \$6,072,005; (Fully collateralized by U.S. government agency obligations, 4.250% due 12/12/18; Market value \$6,207,241) (Cost - \$6,072,000) | 6,072,000             |
|                                   | <b>TOTAL INVESTMENTS 98.5%</b> (Cost \$468,467,614#)   | 369,641,700           |
|                                   | Other Assets in Excess of Liabilities 1.5%   | 5,649,153             |
|                                   | <b>TOTAL NET ASSETS 100.0%</b>   | <b>\$ 375,290,853</b> |

- \* Non-income producing security.
- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (b) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (c) Security is currently in default.
- (d) Variable rate security. Interest rate disclosed is that which is in effect at June 30, 2009.
- (e) Illiquid security.
- (f) Security has no maturity date. The date shown represents the next call date.
- (g) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
- (h) On September 7, 2008, the Federal Housing Finance Agency placed Fannie Mae and Freddie Mac into conservatorship. Under the Statement of Financial Accounting Standards No. 157, all securities are deemed Level 2. Please refer to Note 1 of the Notes to Schedule of Investments.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviation used in this schedule:

GMAC - General Motors Acceptance Corp.

*See Notes to Schedule of Investments.*

**Notes to Schedule of Investments (unaudited)**

**1. Organization and Significant Accounting Policies**

Western Asset High Income Opportunity Fund Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

**(a) Investment Valuation.** Debt securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the bid and asked prices as of the close of business of that market. 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 prices are not readily available, or are determined not to reflect fair value, 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 may value these securities at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

Effective October 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157 (FAS 157). FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing 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 carried at fair value:

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| Description                        | Quoted Prices<br>(Level 1) | Other<br>Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total          |
|------------------------------------|----------------------------|---|--|----------------|
| Long-term investments:             |                            |   |  |                |
| Corporate bonds & notes            |                            | \$ 341,808,942  | \$ 992,650   | \$ 342,801,592 |
| Asset-backed security              |                            |   | 0  | 0              |
| Collateralized mortgage obligation |                            | 575,724   |  | 575,724        |
| Collateralized senior loans        |                            | 9,209,935   |  | 9,209,935      |
| Convertible bonds & notes          |                            | 4,333,431   |  | 4,333,431      |
| Sovereign bonds                    |                            | 2,768,688   |  | 2,768,688      |
| Common stocks:                     |                            |   |  |                |
| Consumer discretionary             |                            |   | 4,034  | 4,034          |
| Consumer staples                   |                            |   | 0  | 0              |
| Materials                          |                            |   | 0  | 0              |
| Telecommunication services         |                            |   | 201  | 201            |
| Convertible preferred stocks:      |                            |   |  |                |
| Financials                         | \$ 2,533,171               |   |  | 2,533,171      |
| Preferred stocks:                  |                            |   |  |                |
| Consumer discretionary             | 629,912                    |   | 0  | 629,912        |
| Financials                         | 205,034                    | 507,978   |  | 713,012        |
| Warrants                           |                            |   | 0  | 0              |
| Total Long-term investments        | \$ 3,368,117               | \$ 359,204,698  | \$ 996,885   | \$ 363,569,700 |
| Short-term investment              |                            | 6,072,000   |  | 6,072,000      |
| Total investments                  | \$ 3,368,117               | \$ 365,276,698  | \$ 996,885   | \$ 369,641,700 |

See Schedule of Investments for additional detailed categorizations.

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

|  | Corporate<br>Bonds and notes | Assets-backed<br>Securities | Consumer<br>Discretionary | Common Stocks<br>Consumer<br>Staples | Common Stocks<br>Materials | Telecom-<br>-munication<br>Services | Preferred<br>stocks<br>Consumer<br>Discretionary | Warrants     | Total                    |
|--|------------------------------|-----------------------------|---------------------------|--------------------------------------|----------------------------|-------------------------------------|--|--------------|--------------------------|
| Balance as of September 30, 2008   | \$ 1,268,162                 | \$ 0                        | \$ 5                      | \$ 0                                 | \$ 0                       | \$ 201                              | \$ 0   | \$ 0         | \$ 1,268,368             |
| Accrued premiums/discounts   | 49,340                       |                             |                           |                                      |                            |                                     |  |              | 49,340                   |
| Realized gain/(loss)   | 5,197                        |                             | (1,924,237)               |                                      |                            |                                     |  | (292,090)    | (2,211,130) <sup>1</sup> |
| Change in unrealized appreciation(depreciation)  | (117,300)                    |                             | 1,928,266                 |                                      |                            |                                     |  | 292,090      | 2,103,056 <sup>2</sup>   |
| Net purchases (sales)  | 647,273                      |                             |                           |                                      |                            |                                     |  |              | 647,273                  |
| Net transfers in and/or out of Level 3   | (860,022)                    |                             |                           |                                      |                            |                                     |  |              | (860,022)                |
| Balance as of June 30, 2009  | \$ 992,650                   | \$ 0                        | \$ 4,034                  | \$ 0                                 | \$ 0                       | \$ 201                              | \$ 0   | \$ 0         | \$ 996,885               |
| Net unrealized appreciation (depreciation) for investments in securities still held at June 30, 2009 | \$ (2,261,729)               | \$ (11,102,032)             | \$ (2,359,963)            | \$ (235,515)                         | \$ (2)                     | \$ (8,148)                          | \$ (74,675)                                      | \$ (331,527) | \$ (16,373,591)          |

<sup>1</sup> This amount is included in net realized gain (loss) from investment transactions.

<sup>2</sup> Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

**(b) Repurchase Agreements.** When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian 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 exceeds one business day, the value of the collateral is marked-to-market daily to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines 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) Credit and Market Risk.** The Fund invests in high-yield instruments that are subject to certain credit and market risks. The yields of high-yield obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involves 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.

**(d) Security Transactions.** Security transactions are accounted for on a trade date basis.

**2. Investments**

At June 30, 2009, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |    |               |
|-------------------------------|----|---------------|
| Gross unrealized appreciation | \$ | 16,091,949    |
| Gross unrealized depreciation |    | (114,917,863) |
| Net unrealized depreciation   | \$ | (98,825,914)  |

**3. Derivative Instruments and Hedging Activities**

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, requires enhanced disclosure about an entity's derivative and hedging activities.

At June 30, 2009, the Fund did not hold any derivative instruments.



ITEM 2. 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 registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

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**SIGNATURES**

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

**Western Asset High Income Opportunity Fund Inc.**

By */s/ R. Jay Gerken*  
R. Jay Gerken  
Chief Executive Officer

Date: August 27, 2009

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

Date: August 27, 2009

By */s/ Kaprel Ozsolak*  
Kaprel Ozsolak  
Chief Financial Officer

Date: August 27, 2009

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