

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSR

November 24, 2015

[Table of Contents](#)

**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 811-07920**

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

**(Exact name of registrant as specified in charter)**

**620 Eighth Avenue, 49<sup>th</sup> Floor, New York, NY 10018**

**(Address of principal executive offices) (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, 2015**

**Table of Contents**

ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

**Table of Contents**

Annual Report

September 30, 2015

WESTERN ASSET  
HIGH INCOME  
OPPORTUNITY FUND  
INC. (HIO)

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

## Table of Contents

<b>What's inside</b>	
<a href="#">Letter from the chairman</a>	II
<a href="#">Investment commentary</a>	III
<a href="#">Fund overview</a>	1
<a href="#">Fund at a glance</a>	7
<a href="#">Spread duration</a>	8
<a href="#">Effective duration</a>	9
<a href="#">Schedule of investments</a>	10
<a href="#">Statement of assets and liabilities</a>	27
<a href="#">Statement of operations</a>	28
<a href="#">Statements of changes in net assets</a>	29
<a href="#">Financial highlights</a>	30
<a href="#">Notes to financial statements</a>	31
<a href="#">Report of independent registered public accounting firm</a>	45
<a href="#">Additional information</a>	46
<a href="#">Important tax information</a>	52
<a href="#">Annual chief executive officer and principal financial officer certifications</a>	53
<a href="#">Other shareholder communications regarding accounting matters</a>	54
<a href="#">Dividend reinvestment plan</a>	55

## Fund objective

The Fund seeks high current income. Capital appreciation is a secondary objective.

In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

## Letter from the chairman

### Dear Shareholder,

We are pleased to provide the annual report of Western Asset High Income Opportunity Fund Inc. for the twelve-month reporting period ended September 30, 2015. 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.

I am pleased to introduce myself as the new Chairman, President and Chief Executive Officer of the Fund, succeeding Kenneth D. Fuller. I am honored to have been appointed to my new role. During my 27 year career with Legg Mason, I have seen the investment management industry evolve and expand. Throughout these changes, maintaining an unwavering focus on our shareholders and their needs has remained paramount.

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](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-CSR

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,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

October 30, 2015

II Western Asset High Income Opportunity Fund Inc.

**Table of Contents**

## Investment commentary

### Economic review

The pace of U.S. economic activity was mixed during the twelve months ended September 30, 2015 (the reporting period). Looking back, the U.S. Department of Commerce's revised figures showed that fourth quarter 2014 U.S. gross domestic product (GDP) growth was 2.1%. First quarter 2015 GDP growth then moderated to 0.6%. This was attributed to a number of factors, including a deceleration in personal consumption expenditures (PCE), along with negative contributions from exports, nonresidential fixed investment, and state and local government spending. Economic activity then accelerated, as second quarter GDP growth was 3.9%. The upturn was driven by increasing exports, accelerating PCE, declining imports, expanding state and local government spending, and rising nonresidential fixed investment. The U.S. Department of Commerce's initial reading for third quarter 2015 GDP growth released after the reporting period ended was 1.5%. Decelerating growth was primarily due to a downturn in private inventory investment and decelerations in exports, nonresidential fixed investment, PCE, state and local government spending, and residential fixed investment.

The labor market was a tailwind for the economy during the reporting period. When the period began, unemployment was 5.7%, as reported by the U.S. Department of Labor. By September 2015, unemployment was 5.1%, equaling its lowest level since April 2008.

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 it has since December 2008, the Fed maintained the federal funds rate<sup>iii</sup> at a historically low range between zero and 0.25% during the twelve months ended September 30, 2015. However, in October 2014 the Fed ended its asset purchase program that was announced in December 2012. In December 2014, the Fed said that it can be patient in beginning to normalize the stance of monetary policy. At its meeting that concluded on July 29, 2015, the Fed said "The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run." At its meeting that ended on September 17, 2015, the Fed decided to maintain the target between zero and 0.25%. Finally, at its meeting that concluded on October 28, 2015, after the close of the reporting period, the Fed said, "In determining whether it will be appropriate to raise the target range at its next meeting, the Committee will assess progress both realized and expected toward its objectives of maximum employment and 2 percent inflation."

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

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

October 30, 2015

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

**Table of Contents**

**Investment commentary (cont d)**

<sup>i</sup> Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.

<sup>ii</sup> The Federal Reserve Board ( Fed ) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

<sup>iii</sup> 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.

IV Western Asset High Income Opportunity Fund Inc.



## **Table of Contents**

# Fund overview

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

**A.** The Fund seeks high current income. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

We employ an actively managed approach that is risk-aware and incorporates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with investment professionals to determine which securities provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

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 S. Kenneth Leech, Michael C. Buchanan, and Christopher F. Kilpatrick.

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

**A.** The spread sectors (non-Treasuries) generated mixed results during the reporting period. The fixed income market was volatile at times given mixed global economic data, uncertainties regarding future Federal Reserve Board (Fed) monetary policy and a number of geopolitical issues. Assuming greater risk was generally not rewarded during the reporting period.

Regarding the U.S. high-yield bond market for the one year period ended September 30, 2015, we began the period with energy over-supply concerns and weak commodity prices. Against this backdrop, market prices were moving to better reflect slowing global growth concerns. Winds shifted during the first half of 2015 and energy prices and the high-yield market stabilized and then rallied. However, the reporting period ended with another shift to heightened volatility, falling commodity prices, fears over global growth, reduced liquidity and uncertainty surrounding Fed interest rate policy. As we write this, post the end of the reporting period, sentiment has once again shifted to a more risk-on environment as investors seem energized by more compelling valuations.

**Table of Contents****Fund overview (cont d)**

Short-term Treasury yields moved higher, whereas long-term Treasury yields declined during the twelve months ended September 30, 2015. Two-year Treasury yields rose from 0.57% at the beginning of the period to 0.63% at the end of the period. Their peak of 0.81% occurred on September 16, 2015, and they were as low as 0.31% on October 15, 2014. Ten-year Treasury yields were 2.49% at the beginning of the period and ended the period at 2.04%. Their peak occurred at the beginning of the period and they reached a low of 1.64% at the end of January 2015.

All told, the Barclays U.S. Aggregate Index<sup>ii</sup> returned 2.94% during the twelve months ended September 30, 2015. For comparison purposes, riskier fixed-income securities, including emerging market debt and high yield bonds, produced weaker results. Over the reporting period the Fund's benchmark, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index (the Index) returned -3.40%. Lower quality issuers underperformed with the Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component, returning -8.68% over the same timeframe.

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

**A.** Overall, we maintained our main theme of an unlevered Fund focusing on primarily U.S. domiciled below investment grade corporate bond opportunities. As we experienced the previously discussed headwinds in the high-yield market, we moved to increase the credit quality in the Fund. In particular, we raised our allocation to higher quality BB-rated securities and increased our exposure to cash. Additionally, we moved to reduce our overweight allocation to CCC-rated issuers.

In terms of sector positioning, we increased the Fund's allocations to Financials and Communications. Additionally, we maintained exposure to Energy. We remained positive on Financials during the reporting period and therefore modestly increased the Fund's overweight position. In particular, we continued to favor large global money-center banks, such as JPMorgan, Barclays and Citigroup. Financials continued to post consistent fundamental results, along with increased capital ratios. Furthermore, these banks are still constrained by regulators from returning excessive amounts of capital to shareholders – a positive for fixed income investors. The Communications sector has historically been made up of various defensive businesses with consistent monthly cash flows from consumers. Due to consolidation, this sector tends to consist of issuers with larger, more liquid capital structures. Therefore, they were disproportionately punished during the latter part of the reporting period when we felt exchange traded funds (ETFs), open-end mutual funds, hedge funds and other levered investors were forced to sell whatever they could. We moved to reduce our Communications underweight as we saw better value. While we entered the third and fourth quarters of 2014 with what proved to be too much lower-quality Energy exposure, we did add more B-rated and BB-rated Energy securities. These additions appeared to be attractive entry points as energy prices stabilized and then moved higher during the first half of 2015. However, the sector retraced during the latter portion of the reporting period and remains challenged as

<sup>1</sup> Communications consists of the following industries: Media - Cable, Media - Non-Cable and Telecommunications.

**Table of Contents**

we write this. Within Energy, we added both senior secured and unsecured positions, as management teams within the sector looked to improve their liquidity position and cut their capital expenditure budgets. With these purchases, we feel we added both income for shareholders and an opportunity for longer-term capital appreciation. We ended the period with roughly 13.7% Energy exposure, which compares to roughly 13% in the Index.

We continued to emphasize credit risk over interest rate risk. However, we increased the duration<sup>v</sup> of the portfolio during the reporting period, as it became apparent that low developed market sovereign yields were making U.S. government bonds appear relatively attractive. In addition, we felt rates would continue to rally during periods of heightened volatility. The Fund ended the reporting period with an effective duration<sup>vi</sup> of roughly 3.9 years, an increase of 0.4 years.

At various times, we employed U.S. Treasury futures to manage the duration of the Fund. These contracts were a small negative for performance. Currency forwards were used to hedge the Fund's euro- and pound-denominated bonds back to U.S. dollars. These currency hedges had a minor positive impact to performance. The U.S. dollar strengthened versus the euro during the reporting period and we anticipated that the European Central Bank<sup>vii</sup> would embark on a U.S.-inspired quantitative easing program. Overall, the use of derivative instruments had a small positive impact on the Fund's performance during the reporting period.

**Performance review**

For the twelve months ended September 30, 2015, Western Asset High Income Opportunity Fund Inc. returned -6.90% based on its net asset value (NAV<sup>iii</sup>) and -12.21% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index, returned -3.40% for the same period. The Lipper High Yield Closed-End Funds Category Average<sup>ix</sup> returned -5.82% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$0.43 per share\*. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of September 30, 2015. **Past performance is no guarantee of future results.**

**Performance Snapshot as of September 30, 2015**

Price Per Share	12-Month
\$5.47 (NAV)	Total Return**
\$4.69 (Market Price)	-6.90%
	-12.21%

**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. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

**Total return assumes the reinvestment of all distributions at NAV.**

\*For the tax character of distributions paid during the fiscal year ended September 30, 2015, please refer to page 43 of this report.

## **Table of Contents**

### Fund overview (cont d)

**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 Fund's overall allocations to investment grade corporate bonds and BB-rated securities were beneficial to results during the reporting period. In general, these allocations were seen as relatively defensive and outperformed the Index.

A number of the Fund's high-yield corporate bonds were positive for results during the reporting period. Examples of holdings that contributed to performance were overweights in Physiotherapy Associates Holdings and Tenet Healthcare Corp. Physiotherapy Associates Holdings is a national provider of outpatient rehabilitation and orthotics and prosthetics services. The company experienced headwinds due to both billing and accounting issues and, in May 2013, restructured its balance sheet as bondholders led the reorganization of the credit. In doing so, Western Asset Management received equity in exchange for our original bond position and participated in the new financing of a secured loan. Health care valuations in general have improved since the workout took place and its management continues to make operational improvements. We remain positive regarding the prospects for further recovery and believe the company, which includes more than 500 outpatient rehabilitation clinics in 34 states, is well positioned. We participated in a small merger and acquisition ( M&A ) financing transaction for a U.S. hospital operator, Tenet Healthcare Corp. These bonds were seen as defensive and our position was rewarded during the reporting period.

#### **Q. What were the leading detractors from performance?**

**A.** Select positions with the Fund's high-yield corporate bond exposure were negative for absolute performance during the reporting period. Falling oil and commodity prices, due to an increase in supply, coupled with fears of lower global demand and slowing global growth, sent several of our positions lower. In particular, overweight positions in specific energy issuers, including Hercules Offshore Inc., Halcon Resources Corp and Murray Energy Corp., were negative for results. We recently agreed to equitize our Hercules Offshore Inc. positions to improve the company's balance sheet and liquidity position. We are currently working with management as they prepare the company to exit bankruptcy with a significantly stronger balance sheet and potential upside from industry consolidation. Overweight to lower quality non-conventional energy company Halcon Resources was not rewarded during the period. Lower oil prices sent the price of its bonds lower. Coal company Murray Energy Corp. recently posted underwhelming fundamental results despite being the industry's low-cost producer. In addition, most commodity-related issuers were met with poor demand from investors and our overweight position detracted from performance during the reporting period.

Our ratings biases detracted from performance. We believed the U.S. economy would continue to grow, albeit at a modest pace, and U.S. corporations would continue to post consistent fundamental performance. We therefore felt an overweight to CCC-rated securities and an underweight to BB-rated

## **Table of Contents**

U.S. issuers was warranted. Although we took actions to move closer in line with that of the Index during the first and second quarters of 2015, ultimately this positioning was not rewarded.

This has been a challenging environment for many investors. We believe increased market volatility will ultimately be beneficial for long-term shareholders as we look to add income and capital appreciation opportunities to the Fund.

### **Looking for additional information?**

The Fund is traded under the symbol **HIO** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XHIOX** 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](http://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 High Income Opportunity 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 20, 2015

***RISKS:** The Fund's investments are subject to credit risk, inflation risk and interest rate risk. The Fund may invest in lower-rated high-yield bonds, commonly known as junk bonds, which are subject to greater credit risk (risk of default) than higher-rated obligations. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. In addition, the Fund may invest in foreign securities, which are subject to certain risks of overseas investing, including currency fluctuations and changes in political and economic conditions, which could result in significant fluctuations. These risks are magnified in emerging markets.*

Portfolio holdings and breakdowns are as of September 30, 2015 and are subject to change and may not be representative of the portfolio managers' current or future investments. Please refer to pages 10 through 26 for a list and percentage breakdown of the Fund's holdings.

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 net assets) as of September 30, 2015 were: Financials (15.6%), Consumer Discretionary (14.9%), Energy (13.8%), Industrials (13.0%) and Telecommunication Services (11.1%). 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

---

**Table of Contents**

## Fund overview (cont d)

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 U.S. 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 Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component is comprised of Caa-rated securities included in the broader Barclays U.S. Corporate High Yield 2% Issuer Cap Index.
- 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 Effective duration is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Please note, duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. Funds that employ leverage calculate effective duration based off of net assets.
- vii The European Central Bank ( ECB ) is responsible for the monetary system of the European Union and the euro currency.
- viii Net asset value ( NAV ) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any), from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) 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.
- 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, 2015, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 6 funds in the Fund's Lipper category.

**Table of Contents**

**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, 2015 and September 30, 2014 and does not include derivatives, such as futures contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

**Table of Contents****Spread duration** (unaudited)**Economic exposure** September 30, 2015**Total Spread Duration**

HIO	3.66 years
Benchmark	4.44 years

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.

Benchmark	Barclays U.S. Corporate High Yield 2% Issuer Cap Index
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

8 Western Asset High Income Opportunity Fund Inc. 2015 Annual Report



**Table of Contents**

**Effective duration** (unaudited)

**Interest rate exposure** September 30, 2015

**Total Effective Duration**

HIO 3.89 years

Benchmark 4.39 years

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.

Benchmark	Barclays U.S. Corporate High Yield 2% Issuer Cap Index
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

**Table of Contents****Schedule of investments**

September 30, 2015

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

Security	Rate	Maturity Date	Face Amount	Value
<b>Corporate Bonds &amp; Notes</b> 86.8%				
<b>Consumer Discretionary</b> 13.9%				
<i>Automobiles</i> 0.3%				
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.250%	6/15/21	1,140,000	\$ 1,212,618
<i>Diversified Consumer Services</i> 0.5%				
Service Corp. International, Senior Notes	7.500%	4/1/27	1,280,000	1,452,800
StoneMor Partners LP/Cornerstone Family Services of WV, Senior Bonds	7.875%	6/1/21	920,000	949,900
<i>Total Diversified Consumer Services</i>				2,402,700
<i>Hotels, Restaurants &amp; Leisure</i> 2.9%				
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	1,262,613	1,141,402 (a)(b)(c)(d)
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	1,000,000	1,057,500
CCM Merger Inc., Senior Notes	9.125%	5/1/19	1,710,000	1,814,908 (a)
CEC Entertainment Inc., Senior Notes	8.000%	2/15/22	2,090,000	2,069,100
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	7/1/19	1,320,000	1,382,700 (a)
Fontainebleau Las Vegas Holdings LLC, Senior Secured Notes	10.250%	6/15/15	445,000	56 *(a)(e)
Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes	8.875%	3/15/19	1,200,000	1,236,000 (a)
Landry s Holdings II Inc., Senior Notes	10.250%	1/1/18	750,000	770,625 (a)
Landry s Inc., Senior Notes	9.375%	5/1/20	3,598,000	3,858,855 (a)
<i>Total Hotels, Restaurants &amp; Leisure</i>				13,331,146
<i>Household Durables</i> 1.9%				
Century Intermediate Holding Co. 2, Senior Notes	9.750%	2/15/19	1,980,000	2,041,875 (a)(b)
Shea Homes LP/Shea Homes Funding Corp., Senior Notes	6.125%	4/1/25	1,650,000	1,695,375 (a)
William Lyon Homes Inc., Senior Notes	8.500%	11/15/20	1,520,000	1,637,800
William Lyon Homes Inc., Senior Notes	7.000%	8/15/22	1,190,000	1,228,675
Woodside Homes Co., LLC/Woodside Homes Finance Inc., Senior Notes	6.750%	12/15/21	2,020,000	1,868,500 (a)
<i>Total Household Durables</i>				8,472,225
<i>Media</i> 6.7%				
AMC Entertainment Inc., Senior Subordinated Notes	5.750%	6/15/25	1,020,000	994,500
CCO Safari II LLC, Senior Secured Notes	4.908%	7/23/25	1,940,000	1,933,670 (a)
CCO Safari II LLC, Senior Secured Notes	6.484%	10/23/45	790,000	799,091 (a)
CSC Holdings LLC, Senior Notes	6.750%	11/15/21	500,000	448,750
DISH DBS Corp., Senior Notes	7.875%	9/1/19	1,085,000	1,140,151
DISH DBS Corp., Senior Notes	6.750%	6/1/21	2,020,000	1,950,552
DISH DBS Corp., Senior Notes	5.875%	7/15/22	3,090,000	2,742,375
Gibson Brands Inc., Senior Secured Notes	8.875%	8/1/18	1,380,000	1,224,750 (a)

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Media continued</i>				
iHeartCommunications Inc., Senior Notes	14.000%	2/1/21	1,860,000	\$ 780,038 <sup>(b)</sup>
New Cotai LLC/New Cotai Capital Corp., Senior Secured Notes	10.625%	5/1/19	1,703,570	1,405,445 <sup>(a)(b)</sup>
Numericable-SFR SAS, Senior Secured Bonds	6.000%	5/15/22	2,710,000	2,618,537 <sup>(a)</sup>
Numericable-SFR SAS, Senior Secured Bonds	6.250%	5/15/24	2,330,000	2,248,450 <sup>(a)</sup>
Time Warner Cable Inc., Senior Notes	8.750%	2/14/19	1,490,000	1,751,099
Time Warner Cable Inc., Senior Notes	8.250%	4/1/19	678,000	790,665
Tribune Media Co., Senior Notes	5.875%	7/15/22	760,000	739,100 <sup>(a)</sup>
Univision Communications Inc., Senior Notes	8.500%	5/15/21	1,320,000	1,377,750 <sup>(a)</sup>
Univision Communications Inc., Senior Secured Notes	6.750%	9/15/22	217,000	225,409 <sup>(a)</sup>
UPC Holding BV, Junior Secured Subordinated Notes	6.375%	9/15/22	2,030,000 EUR	2,423,849 <sup>(a)</sup>
Virgin Media Finance PLC, Senior Notes	6.375%	4/15/23	2,890,000	2,886,387 <sup>(a)</sup>
Virgin Media Finance PLC, Senior Notes	6.000%	10/15/24	2,000,000	1,932,500 <sup>(a)</sup>
Virgin Media Finance PLC, Senior Notes	5.750%	1/15/25	200,000	188,500 <sup>(a)</sup>
<i>Total Media</i>				<i>30,601,568</i>
<i>Multiline Retail 0.4%</i>				
Neiman Marcus Group LLC, Senior Secured Notes	7.125%	6/1/28	330,000	328,350
Neiman Marcus Group Ltd. LLC, Senior Notes	8.750%	10/15/21	1,530,000	1,583,550 <sup>(a)(b)</sup>
<i>Total Multiline Retail</i>				<i>1,911,900</i>
<i>Specialty Retail 1.1%</i>				
American Greetings Corp., Senior Notes	7.375%	12/1/21	1,220,000	1,273,375
Guitar Center Inc., Senior Secured Bonds	6.500%	4/15/19	3,530,000	3,265,250 <sup>(a)</sup>
Hot Topic Inc., Senior Secured Notes	9.250%	6/15/21	730,000	704,450 <sup>(a)</sup>
<i>Total Specialty Retail</i>				<i>5,243,075</i>
<i>Textiles, Apparel &amp; Luxury Goods 0.1%</i>				
Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes	11.375%	2/1/17	420,000	396,900 <sup>(a)</sup>
<b>Total Consumer Discretionary</b>				<b>63,572,132</b>
<b>Consumer Staples 4.1%</b>				
<i>Beverages 0.8%</i>				
Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes	10.625%	8/1/18	1,370,000	1,376,850 <sup>(a)</sup>
Cott Beverages Inc., Senior Notes	6.750%	1/1/20	1,120,000	1,153,600
DS Services of America Inc., Secured Notes	10.000%	9/1/21	1,230,000	1,419,112 <sup>(a)</sup>
<i>Total Beverages</i>				<i>3,949,562</i>
<i>Food &amp; Staples Retailing 0.7%</i>				
Beverages & More Inc., Senior Secured Notes	10.000%	11/15/18	1,900,000	1,831,125 <sup>(a)</sup>
Dollar Tree Inc., Senior Notes	5.750%	3/1/23	1,180,000	1,230,150 <sup>(a)</sup>
<i>Total Food &amp; Staples Retailing</i>				<i>3,061,275</i>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

September 30, 2015

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

Security	Rate	Maturity Date	Face Amount	Value
<i>Food Products 1.4%</i>				
Dole Food Co. Inc., Senior Secured Notes	7.250%	5/1/19	1,290,000	\$ 1,290,000 (a)
Hearthside Group Holdings LLC/Hearthside Finance Co., Senior Notes	6.500%	5/1/22	1,010,000	939,300 (a)
Pilgrims Pride Corp., Senior Notes	5.750%	3/15/25	1,630,000	1,605,550 (a)
Simmons Foods Inc., Secured Notes	7.875%	10/1/21	2,630,000	2,436,037 (a)
<i>Total Food Products</i>				<i>6,270,887</i>
<i>Household Products 0.8%</i>				
Kronos Acquisition Holdings Inc., Senior Notes	9.000%	8/15/23	380,000	342,000 (a)
Spectrum Brands Inc., Senior Notes	6.625%	11/15/22	580,000	616,250
Spectrum Brands Inc., Senior Notes	6.125%	12/15/24	440,000	455,400 (a)
Spectrum Brands Inc., Senior Notes	5.750%	7/15/25	1,530,000	1,568,250 (a)
Sun Products Corp., Senior Notes	7.750%	3/15/21	670,000	574,525 (a)
<i>Total Household Products</i>				<i>3,556,425</i>
<i>Tobacco 0.4%</i>				
Alliance One International Inc., Secured Notes	9.875%	7/15/21	2,370,000	2,035,238
<b>Total Consumer Staples</b>				<b>18,873,387</b>
<i>Energy 12.5%</i>				
<i>Energy Equipment &amp; Services 1.6%</i>				
Atwood Oceanics Inc., Senior Notes	6.500%	2/1/20	1,020,000	823,650
CGG, Senior Notes	7.750%	5/15/17	138,000	108,330
CGG, Senior Notes	6.500%	6/1/21	1,470,000	848,190
CGG, Senior Notes	6.875%	1/15/22	200,000	112,000
FTS International Inc., Senior Secured Bonds	6.250%	5/1/22	1,130,000	355,950
Gulfmark Offshore Inc., Senior Notes	6.375%	3/15/22	600,000	361,500
Hercules Offshore Inc., Senior Notes	7.500%	10/1/21	1,100,000	225,500 *(a)(f)
Hercules Offshore Inc., Senior Notes	6.750%	4/1/22	2,470,000	506,350 *(a)(f)
McDermott International Inc., Secured Notes	8.000%	5/1/21	530,000	445,200 (a)
Parker Drilling Co., Senior Notes	7.500%	8/1/20	1,680,000	1,386,000
SESI LLC, Senior Notes	7.125%	12/15/21	1,320,000	1,301,850
Sierra Hamilton LLC/Sierra Hamilton Finance Inc., Senior Secured Notes	12.250%	12/15/18	1,390,000	917,400 (a)
<i>Total Energy Equipment &amp; Services</i>				<i>7,391,920</i>
<i>Oil, Gas &amp; Consumable Fuels 10.9%</i>				
American Energy-Permian Basin LLC/AEPB Finance Corp., Secured Notes	8.000%	6/15/20	1,040,000	941,200 (a)
Approach Resources Inc., Senior Notes	7.000%	6/15/21	1,090,000	659,450
Arch Coal Inc., Senior Notes	7.250%	6/15/21	1,880,000	122,200
Berry Petroleum Co., Senior Notes	6.750%	11/1/20	800,000	284,000
California Resources Corp., Senior Notes	5.500%	9/15/21	5,000,000	3,075,000

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas &amp; Consumable Fuels continued</i>				
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	6.500%	4/15/21	2,310,000	\$ 2,090,550
Carrizo Oil & Gas Inc., Senior Notes	7.500%	9/15/20	960,000	902,400
Chesapeake Energy Corp., Senior Notes	6.625%	8/15/20	250,000	187,030
Chesapeake Energy Corp., Senior Notes	6.125%	2/15/21	2,240,000	1,572,200
Comstock Resources Inc., Senior Notes	9.500%	6/15/20	1,310,000	366,800
Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., Senior Notes	6.125%	3/1/22	1,570,000	1,366,999
Endeavor Energy Resources LP/EER Finance Inc., Senior Notes	8.125%	9/15/23	600,000	579,000 <sup>(a)</sup>
Enterprise Products Operating LLC, Junior Subordinated Notes	8.375%	8/1/66	680,000	670,650 <sup>(g)</sup>
EP Energy LLC/Everest Acquisition Finance Inc., Senior Notes	9.375%	5/1/20	1,450,000	1,254,250
EV Energy Partners LP/EV Energy Finance Corp., Senior Notes	8.000%	4/15/19	360,000	246,600
Freeport-McMoran Oil & Gas LLC/FCX Oil & Gas Inc., Senior Notes	6.750%	2/1/22	162,000	142,600
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	6.750%	8/1/22	850,000	801,975
Globe Luxembourg SCA, Senior Secured Notes	9.625%	5/1/18	3,940,000	3,309,600 <sup>(a)</sup>
Halcon Resources Corp., Secured Notes	8.625%	2/1/20	1,230,000	1,027,050 <sup>(a)</sup>
Halcon Resources Corp., Senior Notes	9.750%	7/15/20	3,150,000	1,086,750
Halcon Resources Corp., Senior Notes	8.875%	5/15/21	3,330,000	1,015,650
Kinder Morgan Inc., Medium-Term Notes	7.800%	8/1/31	1,040,000	1,065,884
Linn Energy LLC/Linn Energy Finance Corp., Senior Notes	6.250%	11/1/19	2,500,000	650,000
Lonestar Resources America Inc., Senior Notes	8.750%	4/15/19	550,000	365,750 <sup>(a)</sup>
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	3,710,000	1,688,050
MEG Energy Corp., Senior Notes	6.375%	1/30/23	330,000	259,875 <sup>(a)</sup>
MEG Energy Corp., Senior Notes	7.000%	3/31/24	2,760,000	2,208,000 <sup>(a)</sup>
Milagro Oil & Gas Inc., Secured Notes	10.500%	5/15/16	1,690,000	523,900 <sup>*(d)(f)</sup>
Murray Energy Corp., Senior Secured Notes	11.250%	4/15/21	4,660,000	2,469,800 <sup>(a)</sup>
Natural Resource Partners LP/Natural Resource Partners Finance Corp., Senior Notes	9.125%	10/1/18	1,570,000	1,106,850
Oasis Petroleum Inc., Senior Notes	6.500%	11/1/21	520,000	413,400
Oasis Petroleum Inc., Senior Notes	6.875%	3/15/22	1,540,000	1,227,842
Petrobras Global Finance BV, Senior Notes	6.750%	1/27/41	1,850,000	1,216,375
Quicksilver Resources Inc., Senior Notes	11.000%	7/1/21	930,000	51,150 <sup>*(f)</sup>
Rice Energy Inc., Senior Notes	7.250%	5/1/23	1,460,000	1,376,050 <sup>(a)</sup>
RSP Permian Inc., Senior Notes	6.625%	10/1/22	2,730,000	2,634,450
Samson Investment Co., Senior Notes	9.750%	2/15/20	1,440,000	25,200 <sup>*(f)</sup>
Sanchez Energy Corp., Senior Notes	7.750%	6/15/21	5,200,000	3,874,000
Shelf Drilling Holdings Ltd., Senior Secured Notes	8.625%	11/1/18	930,000	730,050 <sup>(a)</sup>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

September 30, 2015

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

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Oil, Gas &amp; Consumable Fuels continued</i>				
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	6.625%	10/1/20	470,000	\$ 460,600 <sup>(a)</sup>
Tennessee Gas Pipeline Co., LLC, Senior Notes	8.375%	6/15/32	3,270,000	3,419,357
Whiting Canadian Holding Co. ULC, Senior Notes	8.125%	12/1/19	1,390,000	1,348,300
WPX Energy Inc., Senior Notes	7.500%	8/1/20	100,000	92,000
WPX Energy Inc., Senior Notes	6.000%	1/15/22	110,000	95,150
WPX Energy Inc., Senior Notes	8.250%	8/1/23	660,000	600,600
<i>Total Oil, Gas &amp; Consumable Fuels</i>				<i>49,604,587</i>
<b>Total Energy</b>				<b>56,996,507</b>
<b>Financials 12.9%</b>				
<i>Banks 5.5%</i>				
Bank of America Corp., Junior Subordinated Notes	6.500%	10/23/24	810,000	827,213 <sup>(g)(h)</sup>
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	1,930,000	2,532,803 <sup>(a)</sup>
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,000,000	2,245,000
Barclays PLC, Junior Subordinated Bonds	8.250%	12/15/18	420,000	438,584 <sup>(g)(h)</sup>
BNP Paribas SA, Junior Subordinated Notes	7.375%	8/19/25	2,700,000	2,720,250 <sup>(a)(g)(h)</sup>
Citigroup Inc., Junior Subordinated Bonds	6.300%	5/15/24	650,000	626,210 <sup>(g)(h)</sup>
Citigroup Inc., Junior Subordinated Bonds	5.950%	5/15/25	640,000	604,000 <sup>(g)(h)</sup>
Credit Agricole SA, Junior Subordinated Notes	8.375%	10/13/19	1,660,000	1,892,732 <sup>(a)(g)(h)</sup>
Credit Agricole SA, Junior Subordinated Notes	7.875%	1/23/24	700,000	698,253 <sup>(a)(g)(h)</sup>
HSBC Holdings PLC, Junior Subordinated Bonds	6.375%	9/17/24	790,000	756,425 <sup>(g)(h)</sup>
HSBC Holdings PLC, Junior Subordinated Bonds	6.375%	3/30/25	1,070,000	1,023,187 <sup>(g)(h)</sup>
JPMorgan Chase & Co., Junior Subordinated Bonds	6.000%	8/1/23	630,000	621,731 <sup>(g)(h)</sup>
JPMorgan Chase & Co., Junior Subordinated Notes	6.100%	10/1/24	800,000	795,800 <sup>(g)(h)</sup>
M&T Bank Corp., Junior Subordinated Bonds	6.875%	6/15/16	1,790,000	1,803,425 <sup>(h)</sup>
Novo Banco SA, Senior Notes	5.875%	11/9/15	500,000 <sup>EUR</sup>	557,342 <sup>(i)</sup>
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds	7.648%	9/30/31	1,210,000	1,512,500 <sup>(g)(h)</sup>
Royal Bank of Scotland Group PLC, Subordinated Notes	6.100%	6/10/23	1,470,000	1,582,011
Royal Bank of Scotland NV, Subordinated Bonds	7.750%	5/15/23	390,000	464,501
Royal Bank of Scotland PLC, Subordinated Notes	13.125%	3/19/22	2,480,000 <sup>AUD</sup>	1,944,235 <sup>(g)(i)</sup>
Santander Issuances SAU, Notes	5.911%	6/20/16	1,100,000	1,126,470 <sup>(a)</sup>
Wells Fargo & Co., Junior Subordinated Bonds	5.875%	6/15/25	580,000	594,500 <sup>(g)(h)</sup>
<i>Total Banks</i>				<i>25,367,172</i>
<i>Capital Markets 1.2%</i>				
Credit Suisse Group AG, Junior Subordinated Notes	6.250%	12/18/24	2,000,000	1,881,150 <sup>(a)(g)(h)</sup>
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	1,210,000	1,447,878
Goldman Sachs Group Inc., Subordinated Notes	5.150%	5/22/45	1,320,000	1,300,521

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Capital Markets continued</i>				
Pershing Square Holdings Ltd., Senior Notes	5.500%	7/15/22	1,000,000	\$ 977,040 <sup>(a)</sup>
<i>Total Capital Markets</i>				<i>5,606,589</i>
<i>Consumer Finance 0.9%</i>				
Ally Financial Inc., Senior Notes	8.000%	3/15/20	1,133,000	1,305,783
Navient Corp., Medium-Term Notes, Senior Notes	8.450%	6/15/18	1,110,000	1,143,988
Navient Corp., Medium-Term Notes, Senior Notes	8.000%	3/25/20	1,150,000	1,104,000
TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes	8.500%	9/15/18	720,000	570,600 <sup>(a)</sup>
<i>Total Consumer Finance</i>				<i>4,124,371</i>
<i>Diversified Financial Services 2.3%</i>				
Argos Merger Sub Inc., Senior Notes	7.125%	3/15/23	2,530,000	2,564,787 <sup>(a)</sup>
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	100,000	107,750
International Lease Finance Corp., Senior Notes	8.875%	9/1/17	4,200,000	4,604,250
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	1,860,000	2,180,850
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	1,000,000	1,015,000 <sup>(a)(g)</sup>
<i>Total Diversified Financial Services</i>				<i>10,472,637</i>
<i>Insurance 1.2%</i>				
CNO Financial Group Inc., Senior Notes	4.500%	5/30/20	210,000	214,725
CNO Financial Group Inc., Senior Notes	5.250%	5/30/25	1,710,000	1,742,063
Fidelity & Guaranty Life Holdings Inc., Senior Notes	6.375%	4/1/21	850,000	888,250 <sup>(a)</sup>
Genworth Holdings Inc., Senior Notes	4.900%	8/15/23	940,000	735,550
Liberty Mutual Group Inc., Junior Subordinated Bonds	7.800%	3/15/37	900,000	1,048,500 <sup>(a)</sup>
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	650,000	799,500 <sup>(a)</sup>
<i>Total Insurance</i>				<i>5,428,588</i>
<i>Real Estate Management &amp; Development 1.8%</i>				
Caesar s Entertainment Resort Properties LLC, Secured Notes	11.000%	10/1/21	800,000	730,000
Caesar s Entertainment Resort Properties LLC, Senior Secured Notes	8.000%	10/1/20	2,870,000	2,740,850
Communications Sales & Leasing Inc., Senior Secured Notes	6.000%	4/15/23	870,000	776,475 <sup>(a)</sup>
Greystar Real Estate Partners LLC, Senior Secured Notes	8.250%	12/1/22	1,610,000	1,690,500 <sup>(a)</sup>
Howard Hughes Corp., Senior Notes	6.875%	10/1/21	2,130,000	2,174,517 <sup>(a)</sup>
<i>Total Real Estate Management &amp; Development</i>				<i>8,112,342</i>
<b>Total Financials</b>				<b>59,111,699</b>
<i>Health Care 6.4%</i>				
<i>Biotechnology 0.2%</i>				
AMAG Pharmaceuticals Inc., Senior Notes	7.875%	9/1/23	800,000	770,000 <sup>(a)</sup>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

September 30, 2015

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

Security	Rate	Maturity Date	Face Amount	Value
<i>Health Care Equipment &amp; Supplies 0.9%</i>				
ConvaTec Finance International SA, Senior Notes	8.250%	1/15/19	2,330,000	\$ 2,297,963 (a)(b)
DJO Finance LLC/DJO Finance Corp., Secured Notes	10.750%	4/15/20	290,000	291,450 (a)
DJO Finco Inc./DJO Finance LLC/DJO Finance Corp., Secured Notes	8.125%	6/15/21	1,850,000	1,808,375 (a)
<i>Total Health Care Equipment &amp; Supplies</i>				
<i>Health Care Providers &amp; Services 3.8%</i>				
Acadia Healthcare Co. Inc., Senior Notes	6.125%	3/15/21	720,000	752,400
BioScrip Inc., Senior Notes	8.875%	2/15/21	750,000	580,312
CHS/Community Health Systems Inc., Senior Notes	8.000%	11/15/19	2,390,000	2,493,069
Fresenius Medical Care U.S. Finance Inc., Senior Notes	6.500%	9/15/18	280,000	308,588 (a)
HCA Inc., Debentures	7.500%	11/15/95	3,920,000	3,900,400
IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes	8.375%	5/15/19	2,580,000	2,660,625
Tenet Healthcare Corp., Senior Notes	8.125%	4/1/22	1,480,000	1,576,792
Tenet Healthcare Corp., Senior Notes	6.750%	6/15/23	1,560,000	1,556,100
Tenet Healthcare Corp., Senior Secured Notes	6.000%	10/1/20	1,330,000	1,406,475
Universal Hospital Services Inc., Secured Notes	7.625%	8/15/20	2,160,000	2,035,800
<i>Total Health Care Providers &amp; Services</i>				
<i>Pharmaceuticals 1.5%</i>				
Concordia Healthcare Corp., Senior Notes	7.000%	4/15/23	800,000	702,000 (a)
DPx Holdings BV, Senior Notes	7.500%	2/1/22	980,000	993,475 (a)
JLL/Delta Dutch Pledgeco BV, Senior Notes	8.750%	5/1/20	2,610,000	2,642,625 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	6.125%	4/15/25	2,800,000	2,674,000 (a)
<i>Total Pharmaceuticals</i>				
<i>29,450,449</i>				
<b>Total Health Care</b>				
<i>Industrials 12.4%</i>				
<i>Aerospace &amp; Defense 0.8%</i>				
Aerojet Rocketdyne Holdings Inc., Secured Notes	7.125%	3/15/21	760,000	790,400
CBC Ammo LLC/CBC FinCo Inc., Senior Notes	7.250%	11/15/21	2,330,000	2,143,600 (a)
LMI Aerospace Inc., Secured Notes	7.375%	7/15/19	710,000	688,700
<i>Total Aerospace &amp; Defense</i>				
<i>Air Freight &amp; Logistics 0.8%</i>				
Air Medical Merger Sub Corp., Senior Notes	6.375%	5/15/23	990,000	903,375 (a)
XPO Logistics Inc., Senior Notes	7.875%	9/1/19	1,910,000	1,869,412 (a)
XPO Logistics Inc., Senior Notes	5.750%	6/15/21	190,000 EUR	185,493 (a)
XPO Logistics Inc., Senior Notes	6.500%	6/15/22	1,050,000	891,844 (a)
<i>Total Air Freight &amp; Logistics</i>				
<i>Airlines 0.6%</i>				
Air Canada, Pass-Through Trust, Secured Notes	6.625%	5/15/18	560,000	583,744 (a)

See Notes to Financial Statements.



**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Airlines continued</i>				
American Airlines, Pass-Through Trust, Secured Notes	7.000%	1/31/18	530,312	\$ 561,468 <sup>(a)</sup>
Continental Airlines Inc., Pass-Through Certificates, Secured Notes	9.250%	5/10/17	84,457	91,741
Continental Airlines Inc., Pass-Through Certificates, Secured Notes	5.500%	10/29/20	395,998	409,363
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	553,517	626,166
Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes	9.750%	12/17/16	286,615	309,902
<i>Total Airlines</i>				<i>2,582,384</i>
<i>Building Products 0.4%</i>				
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Notes	6.875%	2/15/21	1,460,000	1,350,500 <sup>(a)</sup>
Building Materials Corp. of America, Senior Notes	6.750%	5/1/21	600,000	641,250 <sup>(a)</sup>
<i>Total Building Products</i>				<i>1,991,750</i>
<i>Commercial Services &amp; Supplies 2.1%</i>				
Garda World Security Corp., Senior Notes	7.250%	11/15/21	800,000	734,000 <sup>(a)</sup>
JM Huber Corp., Senior Notes	9.875%	11/1/19	860,000	909,648 <sup>(a)</sup>
Monitronics International Inc., Senior Notes	9.125%	4/1/20	3,280,000	2,968,400
United Rentals North America Inc., Senior Notes	8.250%	2/1/21	374,000	395,505
United Rentals North America Inc., Senior Notes	7.625%	4/15/22	2,608,000	2,777,520
West Corp., Senior Notes	5.375%	7/15/22	1,800,000	1,669,500 <sup>(a)</sup>
<i>Total Commercial Services &amp; Supplies</i>				<i>9,454,573</i>
<i>Construction &amp; Engineering 1.5%</i>				
Ausdrill Finance Pty Ltd., Senior Notes	6.875%	11/1/19	1,240,000	880,400 <sup>(a)</sup>
Brundage-Bone Concrete Pumping Inc., Senior Secured Notes	10.375%	9/1/21	1,250,000	1,268,750 <sup>(a)</sup>
Michael Baker Holdings LLC/Michael Baker Finance Corp., Senior Notes	8.875%	4/15/19	1,580,000	1,343,000 <sup>(a)(b)</sup>
Michael Baker International LLC/CDL Acquisition Co. Inc., Senior Secured Notes	8.250%	10/15/18	1,870,000	1,785,850 <sup>(a)</sup>
Modular Space Corp., Secured Notes	10.250%	1/31/19	1,510,000	1,057,000 <sup>(a)</sup>
Odebrecht Finance Ltd., Senior Notes	5.250%	6/27/29	600,000	318,000 <sup>(a)</sup>
<i>Total Construction &amp; Engineering</i>				<i>6,653,000</i>
<i>Electrical Equipment 0.6%</i>				
Interface Grand Master Holdings Inc., Senior Notes	17.000%	8/15/19	851,794	809,204 <sup>(b)</sup>
International Wire Group Holdings Inc., Senior Secured Notes	8.500%	10/15/17	1,020,000	1,032,750 <sup>(a)</sup>
NES Rentals Holdings Inc., Senior Secured Notes	7.875%	5/1/18	930,000	897,450 <sup>(a)</sup>
<i>Total Electrical Equipment</i>				<i>2,739,404</i>
<i>Machinery 1.4%</i>				
CTP Transportation Products LLC/CTP Finance Inc., Senior Secured Notes	8.250%	12/15/19	610,000	651,175 <sup>(a)</sup>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

September 30, 2015

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

Security	Rate	Maturity Date	Face Amount	Value
<i>Machinery continued</i>				
DH Services Luxembourg Sarl, Senior Notes	7.750%	12/15/20	2,820,000	\$ 2,862,300 (a)
Global Brass and Copper Inc., Senior Secured Notes	9.500%	6/1/19	1,260,000	1,368,675
SIG Combibloc Holdings SCA, Senior Bonds	7.750%	2/15/23	570,000 EUR	654,433 (a)
SPL Logistics Escrow LLC/SPL Logistics Finance Corp., Senior Secured Notes	8.875%	8/1/20	890,000	938,950 (a)
<i>Total Machinery</i>				<i>6,475,533</i>
<i>Marine 0.6%</i>				
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.125%	11/15/21	2,170,000	2,015,388 (a)
Ultrapetrol Bahamas Ltd., Senior Secured Notes	8.875%	6/15/21	1,240,000	793,600
<i>Total Marine</i>				<i>2,808,988</i>
<i>Road &amp; Rail 1.9%</i>				
Flexi-Van Leasing Inc., Senior Notes	7.875%	8/15/18	1,290,000	1,312,575 (a)
Florida East Coast Holdings Corp., Senior Notes	9.750%	5/1/20	260,000	235,300 (a)
Florida East Coast Holdings Corp., Senior Secured Notes	6.750%	5/1/19	3,280,000	3,222,600 (a)
Jack Cooper Holdings Corp., Senior Secured Notes	10.250%	6/1/20	2,110,000	1,909,550 (a)
Quality Distribution LLC/QD Capital Corp., Secured Notes	9.875%	11/1/18	2,173,000	2,243,351
<i>Total Road &amp; Rail</i>				<i>8,923,376</i>
<i>Trading Companies &amp; Distributors 0.7%</i>				
Ashtead Capital Inc., Senior Secured Notes	6.500%	7/15/22	1,340,000	1,407,000 (a)
H&E Equipment Services Inc., Senior Notes	7.000%	9/1/22	1,620,000	1,579,500
<i>Total Trading Companies &amp; Distributors</i>				<i>2,986,500</i>
<i>Transportation 0.8%</i>				
Hapag-Lloyd AG, Senior Notes	9.750%	10/15/17	1,700,000	1,759,500 (a)
Neovia Logistics Intermediate Holdings LLC/Logistics Intermediate Finance Corp., Senior Notes	10.000%	2/15/18	1,980,000	1,975,050 (a)(b)
<i>Total Transportation</i>				<i>3,734,550</i>
<i>Transportation Infrastructure 0.2%</i>				
Aguila 3 SA, Senior Secured Notes	7.875%	1/31/18	870,000	879,788 (a)
<b>Total Industrials</b>				<b>56,702,670</b>
<i>Information Technology 2.6%</i>				
<i>Communications Equipment 0.3%</i>				
CommScope Technologies Finance LLC, Senior Notes	6.000%	6/15/25	1,270,000	1,221,588 (a)
<i>Electronic Equipment, Instruments &amp; Components 0.3%</i>				
Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes	9.250%	1/15/18	1,400,000	1,424,500
<i>Internet Software &amp; Services 0.4%</i>				
Ancestry.com Holdings LLC, Senior Notes	9.625%	10/15/18	710,000	705,562 (a)(b)
Ancestry.com Inc., Senior Notes	11.000%	12/15/20	1,070,000	1,177,000
<i>Total Internet Software &amp; Services</i>				<i>1,882,562</i>

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>IT Services 1.4%</i>				
Compiler Finance Subordinated Inc., Senior Notes	7.000%	5/1/21	1,900,000	\$ 1,149,500 <sup>(a)</sup>
First Data Corp., Secured Notes	8.250%	1/15/21	860,000	894,400 <sup>(a)</sup>
First Data Corp., Senior Notes	12.625%	1/15/21	2,310,000	2,630,512
First Data Corp., Senior Subordinated Notes	11.750%	8/15/21	1,545,000	1,718,813
<i>Total IT Services</i>				<i>6,393,225</i>
<i>Software 0.2%</i>				
Audatex North America Inc., Senior Notes	6.000%	6/15/21	720,000	724,133 <sup>(a)</sup>
<b>Total Information Technology</b>				<b>11,646,008</b>
<i>Materials 7.7%</i>				
<i>Chemicals 0.8%</i>				
Eco Services Operations LLC/Eco Finance Corp., Senior Notes	8.500%	11/1/22	470,000	420,650 <sup>(a)</sup>
Hexion Inc., Senior Secured Notes	8.875%	2/1/18	1,180,000	949,900
HIG BBC Intermediate Holdings LLC/HIG BBC Holdings Corp., Senior Notes	10.500%	9/15/18	770,000	756,525 <sup>(a)(b)</sup>
Kerling PLC, Senior Secured Notes	10.625%	2/1/17	1,048,000 <sup>EUR</sup>	1,184,847 <sup>(a)</sup>
Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes	8.000%	12/1/18	390,000	322,725 <sup>(a)</sup>
<i>Total Chemicals</i>				<i>3,634,647</i>
<i>Construction Materials 0.4%</i>				
Hardwoods Acquisition Inc., Senior Secured Notes	7.500%	8/1/21	1,290,000	1,212,600 <sup>(a)</sup>
NWH Escrow Corp., Senior Secured Notes	7.500%	8/1/21	470,000	430,050 <sup>(a)</sup>
<i>Total Construction Materials</i>				<i>1,642,650</i>
<i>Containers &amp; Packaging 2.7%</i>				
Ardagh Finance Holdings SA, Senior Notes	8.625%	6/15/19	1,350,185	1,383,939 <sup>(a)(b)</sup>
Ardagh Packaging Finance PLC, Senior Notes	9.125%	10/15/20	1,130,000	1,180,144 <sup>(a)</sup>
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	9.125%	10/15/20	2,170,000	2,266,294 <sup>(a)</sup>
BWAY Holding Co., Senior Notes	9.125%	8/15/21	2,150,000	2,085,500 <sup>(a)</sup>
Coveris Holdings SA, Senior Notes	7.875%	11/1/19	1,380,000	1,314,450 <sup>(a)</sup>
Pactiv LLC, Senior Bonds	8.375%	4/15/27	3,280,000	3,116,000
PaperWorks Industries Inc., Senior Secured Notes	9.500%	8/15/19	1,030,000	999,100 <sup>(a)</sup>
<i>Total Containers &amp; Packaging</i>				<i>12,345,427</i>
<i>Metals &amp; Mining 3.3%</i>				
ArcelorMittal, Senior Notes	7.750%	10/15/39	1,850,000	1,517,000
Barmingo Finance Pty Ltd., Senior Notes	9.000%	6/1/18	1,900,000	1,391,750 <sup>(a)</sup>
Coeur Mining Inc., Senior Notes	7.875%	2/1/21	1,020,000	617,100
Evrax Group SA, Notes	9.500%	4/24/18	100,000	105,053 <sup>(a)</sup>
Evrax Group SA, Senior Notes	9.500%	4/24/18	100,000	105,053 <sup>(i)</sup>
FMG Resources (August 2006) Pty Ltd., Senior Secured Notes	9.750%	3/1/22	2,580,000	2,409,075 <sup>(a)</sup>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

September 30, 2015

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

Security	Rate	Maturity Date	Face Amount	Value
<i>Metals &amp; Mining continued</i>				
Joseph T. Ryerson & Son Inc., Senior Secured Notes	9.000%	10/15/17	2,040,000	\$ 1,825,800
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	1,570,000	70,650 <sup>*(a)(d)(f)</sup>
Mirabela Nickel Ltd., Subordinated Notes	1.000%	9/10/44	16,962	0 <sup>(c)(d)(j)</sup>
Prince Mineral Holding Corp., Senior Secured Notes	11.500%	12/15/19	380,000	321,100 <sup>(a)</sup>
Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes	8.250%	1/15/21	1,870,000	1,514,700 <sup>(a)</sup>
Schaeffler Holding Finance BV, Senior Secured Bonds	6.875%	8/15/18	880,000	909,700 <sup>(a)(b)</sup>
Schaeffler Holding Finance BV, Senior Secured Notes	6.875%	8/15/18	1,050,000 <sup>EUR</sup>	1,216,047 <sup>(a)(b)</sup>
Schaeffler Holding Finance BV, Senior Secured Notes	6.750%	11/15/22	1,730,000	1,868,400 <sup>(a)(b)</sup>
St. Barbara Ltd., Senior Secured Notes	8.875%	4/15/18	290,000	269,700 <sup>(a)</sup>
Thompson Creek Metals Co. Inc., Senior Notes	12.500%	5/1/19	1,050,000	563,063
Vedanta Resources PLC, Senior Notes	6.750%	6/7/16	200,000	184,508 <sup>(a)</sup>
<i>Total Metals &amp; Mining</i>				<i>14,888,699</i>
<i>Paper &amp; Forest Products 0.5%</i>				
Appvion Inc., Secured Notes	9.000%	6/1/20	3,010,000	1,535,100 <sup>(a)</sup>
Resolute Forest Products Inc., Senior Notes	5.875%	5/15/23	1,060,000	795,000
Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Bonds	11.750%	1/15/19	290,000	55,100
Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes	11.750%	1/15/19	520,000	119,600
<i>Total Paper &amp; Forest Products</i>				<i>2,504,800</i>
<b>Total Materials</b>				<b>35,016,223</b>
<i>Telecommunication Services 11.1%</i>				
<i>Diversified Telecommunication Services 5.9%</i>				
Axtel SAB de CV, Senior Secured Notes	9.000%	1/31/20	129,000	117,390 <sup>(a)</sup>
CenturyLink Inc., Senior Notes	5.800%	3/15/22	2,190,000	1,880,662
CenturyLink Inc., Senior Notes	7.600%	9/15/39	630,000	480,375
CenturyLink Inc., Senior Notes	7.650%	3/15/42	730,000	562,100
Frontier Communications Corp., Senior Notes	10.500%	9/15/22	1,090,000	1,065,475 <sup>(a)</sup>
Frontier Communications Corp., Senior Notes	11.000%	9/15/25	1,670,000	1,619,900 <sup>(a)</sup>
Intelsat Jackson Holdings SA, Senior Notes	7.250%	10/15/20	5,210,000	4,799,712
Intelsat Jackson Holdings SA, Senior Notes	7.500%	4/1/21	1,630,000	1,509,787
Intelsat Luxembourg SA, Senior Bonds	7.750%	6/1/21	1,370,000	909,338
Level 3 Financing Inc., Senior Notes	7.000%	6/1/20	130,000	134,875
Level 3 Financing Inc., Senior Notes	8.625%	7/15/20	2,350,000	2,461,625
Level 3 Financing Inc., Senior Notes	6.125%	1/15/21	630,000	649,221
Level 3 Financing Inc., Senior Notes	5.625%	2/1/23	1,350,000	1,331,438
Oi SA, Senior Notes	5.750%	2/10/22	2,410,000	1,144,750 <sup>(a)</sup>
Verizon Communications Inc., Senior Notes	5.150%	9/15/23	1,830,000	2,024,910

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Diversified Telecommunication Services continued</i>				
Windstream Services LLC, Senior Notes	7.750%	10/1/21	2,830,000	\$ 2,207,400
Windstream Services LLC, Senior Notes	7.500%	6/1/22	4,840,000	3,672,350
Windstream Services LLC, Senior Notes	6.375%	8/1/23	500,000	362,175
<i>Total Diversified Telecommunication Services</i>				26,933,483
<i>Wireless Telecommunication Services 5.2%</i>				
Altice Financing SA, Senior Secured Notes	5.250%	2/15/23	180,000 <sup>EUR</sup>	198,551 <sup>(a)</sup>
Altice Financing SA, Senior Secured Notes	6.625%	2/15/23	3,260,000	3,143,862 <sup>(a)</sup>
Neptune Finco Corp., Senior Notes	10.125%	1/15/23	310,000	314,263 <sup>(a)</sup>
Neptune Finco Corp., Senior Notes	6.625%	10/15/25	1,410,000	1,420,575 <sup>(a)</sup>
Neptune Finco Corp., Senior Notes	10.875%	10/15/25	860,000	870,750 <sup>(a)</sup>
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,900,000	2,088,000
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	6,065,000	4,730,700
Sprint Communications Inc., Senior Notes	6.000%	12/1/16	200,000	197,500
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	2,770,000	2,913,486 <sup>(a)</sup>
Sprint Corp., Senior Notes	7.875%	9/15/23	2,130,000	1,729,294
T-Mobile USA Inc., Senior Notes	6.542%	4/28/20	560,000	570,500
T-Mobile USA Inc., Senior Notes	6.000%	3/1/23	2,000,000	1,935,000
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	9.125%	4/30/18	130,000	140,725 <sup>(i)</sup>
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	7.748%	2/2/21	2,010,000	2,061,512 <sup>(a)</sup>
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	1,000,000	1,006,250 <sup>(i)</sup>
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	590,000	593,688 <sup>(a)</sup>
<i>Total Wireless Telecommunication Services</i>				23,914,656
<b>Total Telecommunication Services</b>				<b>50,848,139</b>
<b>Utilities 3.2%</b>				
<i>Electric Utilities 1.8%</i>				
Midwest Generation LLC, Pass-Through Certificates, Secured Bonds	8.560%	1/2/16	113,096	113,096
NRG REMA LLC, Pass-Through Certificates, Senior Secured Bonds	9.237%	7/2/17	317,783	326,522
NRG REMA LLC, Pass-Through Certificates, Senior Secured Bonds	9.681%	7/2/26	2,820,000	2,848,200
Red Oak Power LLC, Secured Notes	9.200%	11/30/29	4,200,000	4,683,000
<i>Total Electric Utilities</i>				7,970,818
<i>Gas Utilities 0.0%</i>				
Southern Natural Gas Co., LLC, Senior Notes	8.000%	3/1/32	60,000	65,381
<i>Independent Power and Renewable Electricity Producers 1.4%</i>				
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	1,139,000	1,221,578 <sup>(a)</sup>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

September 30, 2015

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

Security	Rate	Maturity Date	Face Amount	Value
<i>Independent Power and Renewable Electricity Producers continued</i>				
Foresight Energy LLC/Foresight Energy Finance Corp., Senior Notes	7.875%	8/15/21	1,130,000	\$ 892,813 (a)
Mirant Mid Atlantic LLC, Pass-Through Certificates, Secured Bonds	10.060%	12/30/28	3,303,832	3,419,467
Mirant Mid Atlantic LLC, Pass-Through Certificates, Senior Secured Notes	9.125%	6/30/17	71,465	74,055
TerraForm Power Operating LLC, Senior Notes	5.875%	2/1/23	1,040,000	923,000 (a)
<i>Total Independent Power and Renewable Electricity Producers</i>				<i>6,530,913</i>
<b>Total Utilities</b>				<b>14,567,112</b>
<b>Total Corporate Bonds &amp; Notes (Cost \$429,158,174)</b>				<b>396,784,326</b>
<i>Collateralized Mortgage Obligations 0.4%</i>				
Commercial Mortgage Trust, 2015-LC21 E	3.250%	7/10/48	1,100,000	699,963
JPMBB Commercial Mortgage Securities Trust, 2015-C31 E	4.773%	8/15/48	900,000	643,860
Wells Fargo Commercial Mortgage Trust, 2015-C28 E	3.000%	5/15/48	1,000,000	621,756
<b>Total Collateralized Mortgage Obligations (Cost \$1,951,501)</b>				<b>1,965,579</b>
<b>Convertible Bonds &amp; Notes 0.2%</b>				
<i>Materials 0.2%</i>				
<i>Chemicals 0.1%</i>				
Hercules Inc., Junior Subordinated Bonds	6.500%	6/30/29	420,000	370,388
<i>Metals &amp; Mining 0.1%</i>				
Mirabela Nickel Ltd., Senior Secured Bonds	9.500%	6/24/19	1,183,939	651,166 (a)(b)(d)
<b>Total Convertible Bonds &amp; Notes (Cost \$1,570,880)</b>				<b>1,021,554</b>
<i>Senior Loans 2.6%</i>				
<i>Consumer Discretionary 0.7%</i>				
<i>Hotels, Restaurants &amp; Leisure 0.3%</i>				
Equinox Holdings Inc., Second Lien Term Loan	9.750%	7/31/20	1,290,000	1,314,725 (k)(l)
<i>Specialty Retail 0.2%</i>				
Spencer Gifts LLC, Second Lien Term Loan	9.250%	11/12/21	1,100,000	1,116,500 (k)(l)
<i>Textiles, Apparel &amp; Luxury Goods 0.2%</i>				
TOMS Shoes LLC, Term Loan B	6.500%	10/28/20	825,850	735,007 (k)(l)
<b>Total Consumer Discretionary</b>				<b>3,166,232</b>
<i>Consumer Staples 0.1%</i>				
<i>Food Products 0.1%</i>				
AdvancePierre Foods Inc., Second Lien Term Loan	9.500%	10/10/17	550,000	552,406 (k)(l)
<i>Energy 0.6%</i>				
<i>Energy Equipment &amp; Services 0.4%</i>				
Hercules Offshore Inc., Bridge Term Loan		11/6/15	2,000,000	1,940,000 (c)(m)

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Oil, Gas &amp; Consumable Fuels</i> 0.2%				
Westmoreland Coal Co., Term Loan B	7.500%	12/16/20	825,772	\$ 720,486 (k)(l)
<b>Total Energy</b>				<b>2,660,486</b>
<b>Health Care</b> 0.5%				
<i>Health Care Equipment &amp; Supplies</i> 0.2%				
Lantheus Medical Imaging Inc., Term Loan	7.000%	6/30/22	1,017,450	966,578 (k)(l)
<i>Health Care Providers &amp; Services</i> 0.3%				
Radnet Management Inc., Second Lien Term Loan	8.000%	3/25/21	1,350,000	1,317,937 (k)(l)
<b>Total Health Care</b>				<b>2,284,515</b>
<b>Industrials</b> 0.2%				
<i>Commercial Services &amp; Supplies</i> 0.2%				
Kronos Inc., Second Lien Term Loan	9.750%	4/30/20	979,232	1,005,549 (k)(l)
<b>Materials</b> 0.0%				
<i>Metals &amp; Mining</i> 0.0%				
FMG Resources (August 2006) Pty Ltd., New Term Loan B	3.750%	6/30/19	89,771	73,837 (k)(l)
<b>Utilities</b> 0.5%				
<i>Electric Utilities</i> 0.3%				
Panda Temple Power LLC, 2015 Term Loan B	7.250%	3/6/22	1,213,900	1,171,414 (k)(l)
<i>Independent Power and Renewable Electricity Producers</i> 0.2%				
Energy Future Intermediate Holding Co., LLC, DIP Term Loan	4.250%	6/19/16	1,160,000	1,158,066 (k)(l)
<b>Total Utilities</b>				<b>2,329,480</b>
<b>Total Senior Loans (Cost \$12,167,742)</b>				<b>12,072,505</b>
<b>U.S. Government &amp; Agency Obligations</b> 3.3%				
<i>U.S. Government Obligations</i> 3.3%				
U.S. Treasury Notes (Cost \$14,995,312)	1.375%	9/30/20	15,000,000	14,998,440
			Shares	
<b>Common Stocks</b> 2.6%				
<b>Consumer Discretionary</b> 0.3%				
<i>Automobiles</i> 0.3%				
Ford Motor Co.			88,227	1,197,240
<i>Hotels, Restaurants &amp; Leisure</i> 0.0%				
Bossier Casino Venture Holdco Inc.			86,730	0 *(c)(d)(j)
<b>Total Consumer Discretionary</b>				<b>1,197,240</b>
<b>Energy</b> 0.6%				
<i>Energy Equipment &amp; Services</i> 0.6%				
KCAD Holdings I Ltd.			275,927,431	2,498,523 *(c)(d)

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont'd)**

September 30, 2015

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

	Rate	Shares	Value
Security			
<b>Financials 1.0%</b>			
<i>Banks 1.0%</i>			
Citigroup Inc.		64,503	\$ 3,199,994
JPMorgan Chase & Co.		24,776	1,510,593
<b>Total Financials</b>			<b>4,710,587</b>
<b>Health Care 0.3%</b>			
<i>Health Care Providers &amp; Services 0.3%</i>			
Physiotherapy Associates Holdings Inc.		16,100	<b>1,336,300</b> <sup>*(c)(d)</sup>
<b>Industrials 0.4%</b>			
<i>Marine 0.2%</i>			
DeepOcean Group Holding AS		106,322	<i>685,351</i> <sup>*(c)(d)</sup>
<i>Trading Companies &amp; Distributors 0.2%</i>			
H&E Equipment Services Inc.		59,590	<i>996,345</i>
<b>Total Industrials</b>			<b>1,681,696</b>
<b>Materials 0.0%</b>			
<i>Metals &amp; Mining 0.0%</i>			
Mirabela Nickel Ltd.		3,464,533	<b>201,836</b> <sup>*(c)(d)</sup>
<b>Total Common Stocks (Cost \$12,829,378)</b>			<b>11,626,182</b>
<b>Convertible Preferred Stocks 0.1%</b>			
<b>Energy 0.1%</b>			
<i>Oil, Gas &amp; Consumable Fuels 0.1%</i>			
Rex Energy Corp. (Cost \$1,186,250)	6.000%	16,600	<b>556,100</b>
<b>Preferred Stocks 1.7%</b>			
<b>Financials 1.7%</b>			
<i>Consumer Finance 1.2%</i>			
GMAC Capital Trust I	8.125%	216,388	<i>5,524,386</i> <sup>(g)</sup>
<i>Diversified Financial Services 0.5%</i>			
Citigroup Capital XIII	7.875%	92,250	<i>2,369,902</i> <sup>(g)</sup>
<b>Total Preferred Stocks (Cost \$7,794,546)</b>			<b>7,894,288</b>
	Expiration Date	Warrants	
<b>Warrants 0.1%</b>			
Jack Cooper Holdings Corp.	12/15/17	2,184	305,760 <sup>*(a)</sup>
Jack Cooper Holdings Corp.	5/6/18	1,018	142,520 <sup>*(a)</sup>
<b>Total Warrants (Cost \$55,657)</b>			<b>448,280</b>
<b>Total Investments before Short-Term Investments (Cost \$481,709,440)</b>			<b>447,367,254</b>

See Notes to Financial Statements.



**Table of Contents****Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Short-Term Investments</b> 2.0%				
<i>Repurchase Agreements</i> 2.0%				
Barclays Capital Inc. repurchase agreement dated 9/30/15; Proceeds at maturity \$3,000,006; (Fully collateralized by U.S. government obligations, 1.000% due 8/15/18; Market value \$3,060,000)	0.070%	10/1/15	3,000,000	\$ 3,000,000
Deutsche Bank Securities Inc. repurchase agreement dated 9/30/15; Proceeds at maturity \$6,000,012; (Fully collateralized by U.S. government obligations, 0.125% due 4/15/20; Market value \$6,120,000)	0.070%	10/1/15	6,000,000	6,000,000
<b>Total Short-Term Investments (Cost \$9,000,000)</b>				<b>9,000,000</b>
<b>Total Investments 99.8% (Cost \$490,709,440#)</b>				<b>456,367,254</b>
Other Assets in Excess of Liabilities 0.2%				1,033,252
<b>Total Net Assets 100.0%</b>				<b>\$ 457,400,506</b>

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

\* Non-income producing security.

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

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

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

(d) Illiquid security (unaudited).

(e) The maturity principal is currently in default as of September 30, 2015.

(f) The coupon payment on these securities is currently in default as of September 30, 2015.

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

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

(i) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

## Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-CSR

(i) Value is less than \$1.

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

(l) Senior loans may be considered restricted in that the Fund ordinarily is contractually obligated to receive approval from the agent bank and/or borrower prior to the disposition of a senior loan.

(m) All or a portion of this loan is unfunded as of September 30, 2015. The interest rate for fully unfunded term loans is to be determined.

# Aggregate cost for federal income tax purposes is \$492,674,904.

[See Notes to Financial Statements.](#)

**Table of Contents**

## Schedule of investments (cont d)

September 30, 2015

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

**Abbreviations used in this schedule:**

AUD	Australian Dollar
DIP	Debtor-in-Possession
EUR	Euro
OJSC	Open Joint Stock Company

See Notes to Financial Statements.

26 Western Asset High Income Opportunity Fund Inc. 2015 Annual Report

**Table of Contents****Statement of assets and liabilities**

September 30, 2015

<b>Assets:</b>	
Investments, at value (Cost \$490,709,440)	\$ 456,367,254
Foreign currency, at value (Cost \$372,487)	369,557
Cash	9,790,939
Interest receivable	10,010,218
Receivable for securities sold	8,527,279
Deposits with brokers for open futures contracts	59,003
Unrealized appreciation on forward foreign currency contracts	23,757
Deposits with brokers for centrally cleared swap contracts	3,066
Prepaid expenses	36,937
<b>Total Assets</b>	<b>485,188,010</b>
<b>Liabilities:</b>	
Payable for securities purchased	27,249,107
Investment management fee payable	309,856
Unrealized depreciation on forward foreign currency contracts	78,036
Payable to broker - variation margin on open futures contracts	18,547
Directors' fees payable	17,014
Accrued expenses	114,944
<b>Total Liabilities</b>	<b>27,787,504</b>
<b>Total Net Assets</b>	<b>\$ 457,400,506</b>
<b>Net Assets:</b>	
Par value (\$0.001 par value; 83,688,580 shares issued and outstanding; 500,000,000 shares authorized)	\$ 83,689
Paid-in capital in excess of par value	597,820,171
Undistributed net investment income	789,194
Accumulated net realized loss on investments, futures contracts and foreign currency transactions	(106,847,640)
Net unrealized depreciation on investments, futures contracts and foreign currencies	(34,444,908)
<b>Total Net Assets</b>	<b>\$ 457,400,506</b>
<b>Shares Outstanding</b>	<b>83,688,580</b>
<b>Net Asset Value</b>	<b>\$5.47</b>

See Notes to Financial Statements.

**Table of Contents****Statement of operations**

For the Year Ended September 30, 2015

<b>Investment Income:</b>	
Interest	\$ 38,148,912
Dividends	855,313
<i>Total Investment Income</i>	<i>39,004,225</i>
<b>Expenses:</b>	
Investment management fee (Note 2)	4,014,605
Transfer agent fees	107,574
Directors' fees	93,397
Stock exchange listing fees	89,933
Legal fees	59,663
Audit and tax fees	57,480
Shareholder reports	33,911
Insurance	9,642
Custody fees	4,323
Miscellaneous expenses	10,213
<i>Total Expenses</i>	<i>4,480,741</i>
<b>Net Investment Income</b>	<b>34,523,484</b>
<b>Realized and Unrealized Gain (Loss) on Investments, Futures Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):</b>	
Net Realized Gain (Loss) From:	
Investment transactions	(23,455,765)
Futures contracts	(586,688)
Foreign currency transactions	1,648,234
<i>Net Realized Loss</i>	<i>(22,394,219)</i>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(46,300,234)
Futures contracts	(218,190)
Foreign currencies	(561,256)
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	<i>(47,079,680)</i>
<b>Net Loss on Investments, Futures Contracts and Foreign Currency Transactions</b>	<b>(69,473,899)</b>
<b>Decrease in Net Assets from Operations</b>	<b>\$ (34,950,415)</b>

See Notes to Financial Statements.

**Table of Contents****Statements of changes in net assets**

For the Years Ended September 30,	2015	2014
<b>Operations:</b>		
Net investment income	\$ 34,523,484	\$ 36,223,962
Net realized gain (loss)	(22,394,219)	2,047,899
Change in net unrealized appreciation (depreciation)	(47,079,680)	(5,710,809)
<i>Increase (Decrease) in Net Assets from Operations</i>	<i>(34,950,415)</i>	<i>32,561,052</i>
<b>Distributions to Shareholders From (Note 1):</b>		
Net investment income	(35,651,336)	(36,739,288)
<i>Decrease in Net Assets from Distributions to Shareholders</i>	<i>(35,651,336)</i>	<i>(36,739,288)</i>
<i>Decrease in Net Assets</i>	<i>(70,601,751)</i>	<i>(4,178,236)</i>
<b>Net Assets:</b>		
Beginning of year	528,002,257	532,180,493
<b>End of year*</b>	<b>\$ 457,400,506</b>	<b>\$ 528,002,257</b>
*Includes undistributed (overdistributed) net investment income, respectively, of:	\$789,194	\$(51,323)

See Notes to Financial Statements.

**Table of Contents****Financial highlights****For a share of capital stock outstanding throughout each year ended September 30:**

	2015 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>1</sup>	2012 <sup>1</sup>	2011 <sup>1</sup>
Net asset value, beginning of year	\$6.31	\$6.36	\$6.26	\$5.76	\$6.10
<b>Income (loss) from operations:</b>					
Net investment income	0.41	0.43	0.45	0.49	0.50
Net realized and unrealized gain (loss)	(0.82)	(0.04)	0.13	0.52	(0.31)
<i>Total income (loss) from operations</i>	<i>(0.41)</i>	<i>0.39</i>	<i>0.58</i>	<i>1.01</i>	<i>0.19</i>
<b>Less distributions from:</b>					
Net investment income	(0.43)	(0.44)	(0.48)	(0.51)	(0.53)
<i>Total distributions</i>	<i>(0.43)</i>	<i>(0.44)</i>	<i>(0.48)</i>	<i>(0.51)</i>	<i>(0.53)</i>
Net asset value, end of year	\$5.47	\$6.31	\$6.36	\$6.26	\$5.76
Market price, end of year	\$4.69	\$5.79	\$5.97	\$6.65	\$5.78
<i>Total return, based on NAV<sup>2,3</sup></i>	<i>(6.90)%</i>	<i>6.17%</i>	<i>9.49%</i>	<i>18.15%</i>	<i>2.81%</i>
<i>Total return, based on Market Price<sup>4</sup></i>	<i>(12.21)%</i>	<i>4.28%</i>	<i>(3.07)%</i>	<i>25.00%</i>	<i>0.37%</i>
Net assets, end of year (millions)	\$457	\$528	\$532	\$473	\$433
<b>Ratios to average net assets:</b>					
Gross expenses	0.89%	0.88%	0.90%	0.88%	0.89%
Net expenses	0.89	0.88	0.90	0.88	0.89
Net investment income	6.88	6.68	7.04	8.17	7.98
<b>Portfolio turnover rate</b>	<b>59 %</b>	<b>37 %</b>	<b>53 %</b>	<b>53 %</b>	<b>68 %</b>

<sup>1</sup> Per share amounts have been calculated using the average shares method.

<sup>2</sup> 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.

<sup>3</sup> The total return calculation assumes that distributions are reinvested at NAV. Prior to January 1, 2012, the total return calculation assumed the reinvestment of all distributions in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.

<sup>4</sup> 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.

See Notes to Financial Statements.

**Table of Contents**

## Notes to financial statements

### 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 seeks high current income. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

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 Atlantic Fund Valuation



**Table of Contents**

## Notes to financial statements (cont d)

Committee (formerly, 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.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

**Table of Contents**

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:

Description	ASSETS			Total
	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long-term investments :				
Corporate bonds & notes:				
Consumer discretionary		\$ 62,430,730	\$ 1,141,402	\$ 63,572,132
Materials		35,016,223	0*	35,016,223
Utilities		11,605,816	2,961,296	14,567,112
Other corporate bonds & notes		283,628,859		283,628,859
Collateralized mortgage obligations		1,965,579		1,965,579
Convertible bonds & notes		370,388	651,166	1,021,554
Senior loans:				
Consumer discretionary		1,314,725	1,851,507	3,166,232
Energy			2,660,486	2,660,486
Health care		1,317,937	966,578	2,284,515
Utilities		1,158,066	1,171,414	2,329,480
Other senior loans		1,631,792		1,631,792
U.S. government & agency obligations		14,998,440		14,998,440
Common stocks:				
Consumer discretionary	\$ 1,197,240		0*	1,197,240
Energy			2,498,523	2,498,523
Financials	4,710,587			4,710,587
Health care			1,336,300	1,336,300
Industrials	996,345		685,351	1,681,696
Materials			201,836	201,836
Convertible preferred stocks		556,100		556,100
Preferred stocks	7,894,288			7,894,288
Warrants			448,280	448,280
Total long-term investments	\$ 14,798,460	\$ 415,994,655	\$ 16,574,139	\$ 447,367,254
Short-term investments		9,000,000		9,000,000
<b>Total investments</b>	<b>\$ 14,798,460</b>	<b>\$ 424,994,655</b>	<b>\$ 16,574,139</b>	<b>\$ 456,367,254</b>
Other financial instruments:				
Futures contracts	\$ 100,464			\$ 100,464
Forward foreign currency contracts		\$ 23,757		23,757
<b>Total other financial instruments</b>	<b>\$ 100,464</b>	<b>\$ 23,757</b>		<b>\$ 124,221</b>
<b>Total</b>	<b>\$ 14,898,924</b>	<b>\$ 425,018,412</b>	<b>\$ 16,574,139</b>	<b>\$ 456,491,475</b>

**Table of Contents****Notes to financial statements (cont d)**

Description	LIABILITIES			Total
	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Other financial instruments:				
Futures contracts	\$ 145,333			\$ 145,333
Forward foreign currency contracts		\$ 78,036		78,036
<b>Total</b>	<b>\$ 145,333</b>	<b>\$ 78,036</b>		<b>\$ 223,369</b>

See Schedule of Investments for additional detailed categorizations.

\* Amount represents less than \$1.

The Fund's policy is to recognize transfers between levels as of the end of the reporting period. At September 30, 2015, securities valued at \$556,100 were transferred from Level 1 to Level 2 within the fair value hierarchy because of the unavailability of a quoted price in an active market for an identical investment.

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

Investments in Securities	Corporate Bonds & Notes			Convertible Bonds & Notes
	Consumer Discretionary	Materials	Utilities	Materials
Balance as of September 30, 2014	\$ 1,768,140	\$ 0*	\$ 0*	\$ 1,079,000
Accrued premiums/discounts	26,387			
Realized gain (loss) <sup>1</sup>	45,667		(210,492)	
Change in unrealized appreciation (depreciation) <sup>2</sup>	(51,988)		212,676	(532,773)
Purchases	227,571			104,939
Sales	(874,375)		(2,184)	
Transfers into Level 3 <sup>3</sup>			2,961,296	
Transfers out of Level 3				
<b>Balance as of September 30, 2015</b>	<b>\$ 1,141,402</b>	<b>\$ 0*</b>	<b>\$ 2,961,296</b>	<b>\$ 651,166</b>
Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2015 <sup>2</sup>	\$ (44,015)			\$ (532,773)
		Senior Loans		
Investments in Securities (cont d)	Consumer Discretionary	Energy	Health Care	Utilities
Balance as of September 30, 2014	\$ 463,846			
Accrued premiums/discounts	9,863	\$ 2,584	\$ 332	\$ 1,370
Realized gain (loss) <sup>1</sup>	374	5,676	31	117
Change in unrealized appreciation (depreciation) <sup>2</sup>	3,920	(86,796)	(38,485)	(19,573)
Purchases	1,841,500	2,983,250	1,007,250	1,195,600
Sales	(467,996)	(244,228)	(2,550)	(6,100)
Transfers into Level 3				
Transfers out of Level 3				
<b>Balance as of September 30, 2015</b>	<b>\$ 1,851,507</b>	<b>\$ 2,660,486</b>	<b>\$ 966,578</b>	<b>\$ 1,171,414</b>
Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2015 <sup>2</sup>	\$ 3,920	\$ (86,796)	\$ (38,485)	\$ (19,573)

**Table of Contents**

Investments in Securities (cont d)	Common Stocks				Warrants		Total
	Consumer Discretionary	Energy	Health Care	Industrials	Materials		
Balance as of September 30, 2014	\$ 0*	\$ 2,537,705	\$ 772,800	\$ 3,014,016			\$ 9,635,507
Accrued premiums/discounts							40,536
Realized gain (loss) <sup>1</sup>							(158,627)
Change in unrealized appreciation (depreciation) <sup>2</sup>		(39,182)	563,500	(2,328,665)			(2,317,366)
Purchases							7,360,110
Sales							(1,597,433)
Transfers into Level 3 <sup>3</sup>					\$ 201,836	\$ 448,280	3,611,412
Transfers out of Level 3							
<b>Balance as of September 30, 2015</b>	<b>\$ 0*</b>	<b>\$ 2,498,523</b>	<b>\$ 1,336,300</b>	<b>\$ 685,351</b>	<b>\$ 201,836</b>	<b>\$ 448,280</b>	<b>\$ 16,574,139</b>
Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2015 <sup>2</sup>		\$ (39,182)	\$ 563,500	\$ (2,328,665)			\$ (2,522,069)

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

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

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

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

\* Amount represents less than \$1.

**(b) Repurchase agreements.** The Fund may enter into repurchase agreements with institutions that its subadviser 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.

**Table of Contents**

## Notes to financial statements (cont d)

**(c) 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. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. 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.

**(d) 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.

**(e) 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.

## **Table of Contents**

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.

**(f) 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.

**(g) Unfunded loan commitments.** The Fund may enter into certain credit agreements where 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, 2015, the Fund had sufficient cash and/or securities to cover these commitments.

**(h) 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 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.

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

**Table of Contents**

## Notes to financial statements (cont d)

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.

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

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

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

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

Absent an event of default by the counterparty or a termination of the agreement, the terms of the master agreements do not result in an offset of reported amounts of financial assets

## **Table of Contents**

and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

As of September 30, 2015, the Fund held forward foreign currency contracts with credit related contingent features which had a liability position of \$78,036. 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.

**(k) 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. Paydown gains and losses on mortgage and asset-backed securities are recorded as adjustments to interest income. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practicable after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. 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.

**(l) 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.

**(m) 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.

**(n) 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.

Management has analyzed the Fund's tax positions taken on income tax returns for all open tax years and has concluded that as of September 30, 2015, no provision for income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.



**Table of Contents****Notes to financial statements (cont d)**

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

	Undistributed Net Investment Income	Accumulated Net Realized Loss
(a)	\$ 1,968,369	\$ (1,968,369)

(a) Reclassifications are due to foreign currency transactions treated as ordinary income for tax purposes and differences between book and tax amortization of premium on fixed income securities.

**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 ) and Western Asset Management Company Limited ( Western Asset Limited ) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Limited 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 0.80% of the Fund's average daily net assets.

LMPFA delegates to Western Asset the day-to-day portfolio management of the Fund. Western Asset Limited provides certain subadvisory services to the Fund relating to currency transactions and investments in non-U.S. dollar denominated debt securities. Western Asset Limited does not receive any compensation from the Fund and is paid by Western Asset for its services to 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 a sub-advisory fee of 0.30% on the assets managed by Western Asset Limited.

The Fund had adopted an unfunded, non-qualified deferred compensation plan (the Plan ) which allowed non-interested directors ( Independent Directors ) to defer the receipt of all or a portion of their fees earned until a later date specified by the Independent Directors. The deferred balances are reported in the Statement of Assets and Liabilities under Directors' fees payable and are considered a general obligation of the Fund and any payments made pursuant to the Plan will be made from the Fund's general assets. The Plan was terminated effective January 1, 2006. This change had no effect on fees previously deferred. As of September 30, 2015, the Fund had accrued \$1,903 as deferred compensation payable.

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

**Table of Contents****3. Investments**

During the year ended September 30, 2015, 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	\$ 270,539,198	\$ 14,995,312
Sales	290,036,283	

At September 30, 2015, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	\$ 11,160,750
Gross unrealized depreciation	(47,468,400)
<b>Net unrealized depreciation</b>	<b>\$ (36,307,650)</b>

At September 30, 2015, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Appreciation (Depreciation)
<b>Contracts to Buy:</b>					
U.S. Treasury Ultra Long-Term Bonds	43	12/15	\$ 6,797,005	\$ 6,897,469	\$ 100,464
<b>Contracts to Sell:</b>					
U.S. Treasury 10-Year Notes	141	12/15	18,006,214	18,151,547	(145,333)
<b>Net unrealized depreciation on open futures contracts</b>					<b>\$ (44,869)</b>

At September 30, 2015, the Fund had the following open forward foreign currency contracts:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD 3,248,853	EUR 2,885,658	Bank of America N.A.	10/16/15	\$ 23,757
USD 1,599,608	EUR 1,472,123	Citibank, N.A.	11/13/15	(46,403)
USD 1,875,901	EUR 1,706,017	Royal Bank of Scotland PLC	11/13/15	(31,633)
<b>Total</b>				<b>\$ (54,279)</b>

**Abbreviations used in this table:**

EUR Euro  
USD United States Dollar

**4. Derivative instruments 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, 2015.

**ASSET DERIVATIVES<sup>1</sup>**

Interest Rate Risk	Foreign Exchange Risk	Total
-----------------------	--------------------------	-------

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-CSR

Futures contracts <sup>2</sup>	\$ 100,464		\$ 100,464
Forward foreign currency contracts		\$ 23,757	23,757
<b>Total</b>	<b>\$ 100,464</b>	<b>\$ 23,757</b>	<b>\$ 124,221</b>

**Table of Contents****Notes to financial statements (cont d)****LIABILITY DERIVATIVES<sup>1</sup>**

	Interest Rate Risk	Foreign Exchange Risk	Total
Futures contracts <sup>2</sup>	\$ 145,333		\$ 145,333
Forward foreign currency contracts		\$ 78,036	78,036
<b>Total</b>	<b>\$ 145,333</b>	<b>\$ 78,036</b>	<b>\$ 223,369</b>

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

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

The following tables provide information about the effect of derivatives and hedging activities on the Fund's Statement of Operations for the year ended September 30, 2015. 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	Total
Futures contracts	\$ (586,688)		\$ (586,688)
Forward foreign currency contracts <sup>1</sup>		\$ 1,846,272	1,846,272
<b>Total</b>	<b>\$ (586,688)</b>	<b>\$ 1,846,272</b>	<b>\$ 1,259,584</b>

<sup>1</sup> Net realized gain (loss) from forward foreign currency contracts is reported in net realized gain (loss) from foreign currency transactions in the Statement of Operations.

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

	Interest Rate Risk	Foreign Exchange Risk	Total
Futures contracts	\$ (218,190)		\$ (218,190)
Forward foreign currency contracts <sup>1</sup>		\$ (675,923)	(675,923)
<b>Total</b>	<b>\$ (218,190)</b>	<b>\$ (675,923)</b>	<b>\$ (894,113)</b>

<sup>1</sup> The change in unrealized appreciation (depreciation) from forward foreign currency contracts is reported in the change in net unrealized appreciation (depreciation) from foreign currencies in the Statement of Operations.

During the year ended September 30, 2015, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Futures contracts (to buy)	\$ 530,575

## Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-CSR

Futures contracts (to sell)	8,983,388
Forward foreign currency contracts (to buy)	786,199
Forward foreign currency contracts (to sell)	7,543,409

At September 30, 2015, there were no open positions held in this derivative.

**Table of Contents**

The following table presents by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at September 30, 2015:

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities <sup>1</sup>	Collateral Received	Net Amount
Forward foreign currency contracts	\$ 23,757		\$ 23,757

The following table presents by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at September 30, 2015:

	Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities <sup>1</sup>	Collateral Pledged <sup>2,3</sup>	Net Amount
Futures contracts <sup>4</sup>	\$ 18,547	\$ (18,547)	
Forward foreign currency contracts	78,036		\$ 78,036
<b>Total</b>	<b>\$ 96,583</b>	<b>\$ (18,547)</b>	<b>\$ 78,036</b>

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

<sup>2</sup> Gross amounts are not offset in the Statement of Assets and Liabilities.

<sup>3</sup> In some instances, the actual collateral received and/or pledged may be more than the amount shown here due to overcollateralization.

<sup>4</sup> Amount represents the current day's variation margin as reported in the Statement of Assets and Liabilities. It differs from the cumulative appreciation (depreciation) presented in the previous table.

**5. Distributions subsequent to September 30, 2015**

The following distributions have been declared by the Fund's Board of Directors and are payable subsequent to the period end of this report:

Record Date	Payable Date	Amount
10/23/15	10/30/15	\$ 0.0355
11/20/15	11/27/15	\$ 0.0355
12/18/15	12/24/15	\$ 0.0355
1/22/16	1/29/16	\$ 0.0355
2/19/16	2/26/16	\$ 0.0355

**6. Income tax information and distributions to shareholders**

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

	2015	2014
Distributions paid from:		
Ordinary income	\$ 35,651,336	\$ 36,739,288



**Table of Contents****Notes to financial statements (cont d)**

As of September 30, 2015, the components of accumulated earnings (losses) on a tax basis were as follows:

Undistributed ordinary income - net	\$ 1,191,953
Deferred capital losses*	(24,092,664)
Capital loss carryforward**	(80,834,381)
Other book/tax temporary differences <sup>(a)</sup>	(357,890)
Unrealized appreciation (depreciation) <sup>(b)</sup>	(36,410,372)
<b>Total accumulated earnings (losses) - net</b>	<b>\$ (140,503,354)</b>

\* These capital losses have been deferred in the current year as either short-term or long-term losses. The losses will be deemed to occur on the first day of the next taxable year in the same character as they were originally deferred and will be available to offset future taxable capital gains. These losses must be utilized before any of the Fund's capital loss carryforwards may be utilized.

\*\* As of September 30, 2015, the Fund had the following net capital loss carryforwards remaining:

Year of Expiration	Amount
9/30/2016	\$ (2,157,094)
9/30/2017	(17,968,287)
9/30/2018	(49,024,877)
9/30/2019	(11,684,123)
	\$ (80,834,381)

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

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

<sup>(b)</sup> The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable to the tax deferral of losses on wash sales and the difference between book and tax amortization methods for premiums on fixed income securities.

**7. Subsequent events**

On November 16, 2015, the Fund announced approval by the Fund's Board of Directors (the Board) of a proposal to merge Western Asset Managed High Income Fund Inc. with and into the Fund, subject to approval by the stockholders of each Fund. If approved, the merger is anticipated to occur during the second quarter of 2016. Western Asset Managed High Income Fund Inc. and the Fund have identical investment objectives. If the proposed merger is approved by the stockholders of both Funds, stockholders of Western Asset Managed High Income Fund Inc. would receive common stock of the Fund, based on each Fund's respective net asset value per share.

On November 16, 2015, the Fund also announced that the Board had authorized the Fund to repurchase in the open market up to approximately 10% of the Fund's outstanding common stock when the Fund's shares are trading at a discount to net asset value. The Board has directed management of the Fund to repurchase shares of common stock at such times and in such amounts as management reasonably believes may enhance stockholder value. The Fund is under no obligation to purchase shares at any specific discount levels or in any specific amounts.





**Table of Contents**

## Report of independent registered public accounting firm

### **The Board of Directors and Shareholders**

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

We have audited the accompanying statement of assets and liabilities of Western Asset High Income Opportunity Fund Inc. (the Fund ), including the schedule of investments, as of September 30, 2015, 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, 2015, 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 High Income Opportunity Fund Inc. as of September 30, 2015, 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 19, 2015

**Table of Contents****Additional information** (unaudited)**Information about Directors and Officers**

The business and affairs of Western Asset High Income Opportunity 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 Jane Trust, Legg Mason, 100 International Drive, 11th Floor, Baltimore, Maryland 21202. Information pertaining to the Directors and officers of the Fund is set forth below.

**Independent Directors:****Robert D. Agdern<sup>1</sup>**

Year of birth	1950
Position(s) held with Fund <sup>2</sup>	Director and Member of the Nominating and Audit Committees, Class I Since 2015
Term of office <sup>2</sup> and length of time served	
Principal occupation(s) during past five years	Member of the Advisory Committee of the Dispute Resolution Research Center at the Kellogg Graduate School of Business, Northwestern University since 2002; Deputy General Counsel responsible for western hemisphere matters for BP PLC from 1999 to 2001; Associate General Counsel at Amoco Corporation responsible for corporate, chemical, and refining and marketing matters and special assignments from 1993 to 1998 (Amoco merged with British Petroleum in 1998 forming BP PLC).
Number of portfolios in fund complex overseen by Director (including the Fund)	31
Other board memberships held by Director during past five years	None

**Carol L. Colman**

Year of birth	1946
Position(s) held with Fund <sup>2</sup>	Director and Member of the Nominating and Audit Committees, Class I Since 2007
Term of office <sup>2</sup> and length of time served	
Principal occupation(s) during past five years	President, Colman Consulting Company (consulting)
Number of portfolios in fund complex overseen by Director (including the Fund)	31
Other board memberships held by Director during past five years	None

**Daniel P. Cronin**

Year of birth	1946
Position(s) held with Fund <sup>2</sup>	Director and Member of the Nominating and Audit Committees, Class I Since 2007
Term of office <sup>2</sup> and length of time served	
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)	31
Other board memberships held by Director during past five years	None

**Table of Contents**

**Independent Directors cont d**

**Paolo M. Cucchi**

Year of birth	1941
Position(s) held with Fund <sup>2</sup>	Director and Member of the Nominating and Audit Committees, Class II Since 2007
Term of office <sup>2</sup> and length of time served	
Principal occupation(s) during past five years	Emeritus Professor of French and Italian (since 2014) and formerly, Professor of French and Italian (2009 to 2014) 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)	31
Other board memberships held by Director during past five years	None

**Leslie H. Gelb**

Year of birth	1937
Position(s) held with Fund <sup>2</sup>	Director and Member of the Nominating and Audit Committees, Class III Since 2007
Term of office <sup>2</sup> and length of time served	
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)	31
Other board memberships held by Director during past five years	Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1994); Director, Encyclopedia Britannica; Director, Centre Partners IV and V, LP and Affiliates

**William R. Hutchinson**

Year of birth	1942
Position(s) held with Fund <sup>2</sup>	Director and Member of the Nominating and Audit Committees, Class III Since 2007
Term of office <sup>2</sup> and length of time served	
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)	31
Other board memberships held by Director during past five years	Director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc Corp. (banking) (since 1994)

**Table of Contents**

**Additional information (unaudited) (cont d)**

**Information about Directors and Officers**

**Independent Directors cont d**

**Eileen A. Kamerick**

Year of birth	1958
Position(s) held with Fund <sup>2</sup>	Director and Member of Nominating and Audit Committees, Class II
Term of office <sup>2</sup> and length of time served	Since 2013
Principal occupation(s) during past five years	Executive Vice President and Chief Financial Officer, ConnectWise, Inc. (software and services company) (since 2015) and Adjunct Professor, Washington University in St. Louis and University of Iowa law schools (since 2014); formerly, CFO, Press Ganey Associates (health care informatics company) (since 2012); formerly Managing Director and CFO, Houlihan Lokey (international investment bank) (2010 to 2012)
Number of portfolios in fund complex overseen by Director (including the Fund)	31
Other board memberships held by Director during past five years	Director of Associated Banc-Corp (financial services company) (since 2007); Westell Technologies, Inc. (technology company) (since 2003)

**Riordan Roett**

Year of birth	1938
Position(s) held with Fund <sup>2</sup>	Director and Member of the Nominating and Audit Committees, Class III
Term of office <sup>2</sup> and length of time served	Since 2007
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)	31
Other board memberships held by Director during past five years	None

**Table of Contents**

**Interested Director and Officer:**

**Jane Trust, CFA<sup>3</sup>**

Year of birth	1962
Position(s) held with Fund <sup>2</sup>	Director, Chairman, President and Chief Executive Officer, Class II Since 2015
Term of office <sup>2</sup> and length of time served	Managing Director of Legg Mason & Co., LLC ( Legg Mason & Co. ) (since 2015); Officer and/or Trustee/Director of 156 funds associated with LMPFA or its affiliates (since 2015); President and Chief Executive Officer of LMPFA (since 2015); formerly, Senior Vice President of LMPFA (2015); formerly, Director of ClearBridge, LLC (formerly, Legg Mason Capital Management, LLC) (2007 to 2014); formerly, Managing Director of Legg Mason Investment Counsel & Trust Co. (2000 to 2007)
Principal occupation(s) during past five years	
Number of portfolios in fund complex overseen by Director (including the Fund)	147
Other board memberships held by Director during past five years	None

**Additional Officers:**

**Ted P. Becker**

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth	1951
Position(s) held with Fund <sup>2</sup>	Chief Compliance Officer Since 2006
Term of office <sup>2</sup> and length of time served	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) and Legg Mason & Co. predecessors (prior to 2006)
Principal occupation(s) during past five years	

**Vanessa A. Williams**

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth	1979
Position(s) with Fund <sup>2</sup>	Identity Theft Prevention Officer Since 2011
Term of office <sup>2</sup> and length of time served	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); formerly, Chief Anti-Money Laundering Compliance Officer of certain mutual funds associated with Legg Mason & Co or its affiliates (2011 to 2013); formerly, 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)
Principal occupation(s) during past five years	

**Table of Contents**

**Additional information (unaudited) (cont d)**

**Information about Directors and Officers**

**Additional Officers cont d**

**Robert I. Frenkel**

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth

Position(s) held with Fund<sup>2</sup>

Term of office<sup>2</sup> and length of time served

Principal occupation(s) during past five years

1954

Secretary and Chief Legal Officer

Since 2003

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)

**Thomas C. Mandia**

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth

Position(s) held with Fund<sup>2</sup>

Term of office<sup>2</sup> 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 LM Asset Services, LLC ( LMAS ) (since 2002) and Legg Mason Fund Asset Management, Inc. ( LMFAM ) (since 2013) (formerly registered investment advisers)

**Richard F. Sennett**

Legg Mason

100 International Drive, 7th Floor, Baltimore, MD 21202

Year of birth

Position(s) held with Fund<sup>2</sup>

Term of office<sup>2</sup> and length of time served

Principal occupation(s) during past five years

1970

Principal Financial Officer

Since 2011

Principal Financial Officer and Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011 and since 2013); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co. s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC s Division of Investment Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC s Division of Investment Management (2002 to 2007)

**Table of Contents**

**Additional Officers cont d**  
**Steven Frank**

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth	1967
Position(s) held with Fund <sup>2</sup>	Treasurer
Term of office <sup>2</sup> and length of time served	Since 2010
Principal occupation(s) during past five years	Director of Legg Mason & Co. (since 2015); Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2010); formerly, Vice President of Legg Mason & Co. and Legg Mason & Co. predecessors (2002 to 2015); formerly, Controller of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010)

**Jeanne M. Kelly**

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth	1951
Position(s) with Fund <sup>2</sup>	Senior Vice President
Term of office <sup>2</sup> and length of time served	Since 2007
Principal occupation(s) during past five years	Senior Vice President of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2007); Senior Vice President of LMPFA (since 2006); President and Chief Executive Officer of LMAS and LMFAM (since 2015); Managing Director of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); formerly, Senior Vice President of LMFAM (2013 to 2015)

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

<sup>1</sup> Effective January 1, 2015, Mr. Agdern became a Director.

<sup>2</sup> 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 2017, year 2018 and year 2016, respectively, or thereafter in each case when their respective successors are duly elected and qualified. The Fund's executive officers are chosen each year to hold office until their successors are duly elected and qualified.

<sup>3</sup> Effective August 1, 2015, Ms. Trust became a Director. In addition, Ms. Trust is an interested person of the Fund as defined in the 1940 Act because Ms. Trust is an officer of LMPFA and certain of its affiliates.



**Table of Contents**

**Important tax information** (unaudited)

The following information is provided with respect to the distributions paid during the taxable year ended September 30, 2015:

Record date: Payable date:	Monthly October 2014 through December 2014	Monthly January 2015 through September 2015
Ordinary income:		
Qualified dividend income for individuals	1.74%	2.00%
Dividends qualifying for the dividends received deduction for corporations	1.34%	1.62%

**The following information is applicable to non-U.S. resident shareholders:**

67% of the ordinary income distributions paid monthly by the Fund from October 1, 2014 through September 30, 2015 represent Qualified Net Interest Income and Qualified Short-Term Capital Gains eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Please retain this information for your records.

**Table of Contents**

**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.

Western Asset High Income Opportunity Fund Inc.

53

**Table of Contents**

**Other shareholder communications regarding accounting matters (unaudited)**

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

The CCO may be contacted at:

Legg Mason & Co., LLC

Compliance Department

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.

**Table of Contents**

## Dividend reinvestment plan (unaudited)

Under the Fund's Dividend Reinvestment Plan ( Plan ), a shareholder whose shares of common stock are registered in his own name will have all distributions from the Fund reinvested automatically by American Stock Transfer & Trust Company ( AST ), as purchasing agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in street name ) will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee or the shareholder elects to receive distributions in cash. Investors who own common stock registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to shareholders who do not participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of AST as dividend paying agent.

The number of shares of common stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. When the market price of the common stock is equal to or exceeds the net asset value ( NAV ) per share of the common stock on the determination date (generally, the record date for the distribution), the Plan participants will be issued shares of common stock by the Fund at a price equal to the greater of NAV determined as described below or 95% of the market price of the common stock.

If the market price of the common stock is less than the NAV of the common stock at the time of valuation (which is the close of business on the determination date) AST will buy common stock in the open market, on the stock exchange or elsewhere, for the participants' accounts. If following the commencement of the purchases and before AST has completed its purchases, the market price exceeds the NAV of the common stock as of the valuation time, AST will attempt to terminate purchases in the open market and cause the Fund to issue the remaining portion of the dividend or distribution in shares at a price equal to the greater of (a) NAV as of the valuation time or (b) 95% of the then current market price. In this case, the number of shares received by a Plan participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. To the extent AST is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share purchase price paid by AST may exceed the NAV of the common stock as of the valuation time, resulting in the acquisition of fewer shares than if the distribution had been paid in common stock issued by the Fund at such net asset value. AST will begin to purchase common stock on the open market as soon as practicable after the determination date for distributions, but in no event shall such purchases continue later than 30 days after the payment date for such distribution, or the record date for a succeeding distribution, except when necessary to comply with applicable provisions of the federal securities laws.

AST maintains all shareholder accounts in the Plan and furnishes written confirmation of all transactions in each account, including information needed by a shareholder for personal and tax records. The automatic reinvestment of distributions will not relieve Plan participants of any income tax that may be payable on the distributions. Common stock in the account of each Plan participant will be held by AST in uncertificated form in the name of each Plan participant.

**Table of Contents**

## Dividend reinvestment plan (unaudited) (cont d)

Plan participants are subject to no charge for reinvesting distributions under the Plan. AST's fees for handling the reinvestment of distributions will be paid by the Fund. No brokerage charges apply with respect to shares of common stock issued directly by the Fund under the Plan. Each Plan participant will, however, bear a proportionate share of any brokerage commissions actually incurred with respect to any open market purchases made under the Plan.

Experience under the Plan may indicate that changes to it are desirable. The Fund reserves the right to amend or terminate the Plan as applied to any distribution paid subsequent to written notice of the change sent to participants at least 30 days before the record date for the distributions. The Plan also may be amended or terminated by AST, with the Fund's prior written consent, on at least 30 days' written notice to Plan participants. All correspondence concerning the Plan should be directed by mail to American Stock Transfer & Trust Company, 6201 15th Avenue, Brooklyn, New York 11219 or by telephone at 1-888-888-0151.

**Table of Contents**

Western Asset

High Income Opportunity Fund Inc.

**Directors**

Robert D. Agdern

Carol L. Colman

Daniel P. Cronin

Paolo M. Cucchi

Leslie H. Gelb

William R. Hutchinson

Eileen A. Kamerick

Riordan Roett

Jane Trust\*

*Chairman*

**Officers**

Jane Trust\*

*President and Chief Executive Officer*

Richard F. Sennett

*Principal Financial Officer*

Ted P. Becker

*Chief Compliance Officer*

Vanessa A. Williams

*Identity Theft Prevention Officer*

Robert I. Frenkel

*Secretary and Chief Legal Officer*

Thomas C. Mandia

*Assistant Secretary*

## Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-CSR

Steven Frank

*Treasurer*

Jeanne M. Kelly

*Senior Vice President*

\* Effective August 1, 2015, Ms. Trust became a Director, Chairman, President and Chief Executive Officer.

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

620 Eighth Avenue

49<sup>th</sup> Floor

New York, NY 10018

### **Investment manager**

Legg Mason Partners Fund Advisor, LLC

### **Subadvisers**

Western Asset Management Company

Western Asset Management Company Limited

### **Custodian**

State Street Bank and Trust Company

1 Lincoln Street

Boston, MA 02111

### **Transfer agent**

American Stock Transfer & Trust Company

6201 15<sup>th</sup> Avenue

Brooklyn, NY 11219

### **Independent registered public accounting firm**

KPMG LLP

345 Park Avenue

New York, NY 10154

### **Legal counsel**

Simpson Thacher & Bartlett LLP

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-CSR

425 Lexington Avenue

New York, NY 10017

**New York Stock Exchange Symbol**

HIO



## **Table of Contents**

# 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

**Table of Contents**

## 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.leggmason.com](http://www.leggmason.com), or contact the Fund at 1-888-777-0102.

**NOT PART OF THE ANNUAL REPORT**

**Table of Contents**

Western Asset High Income Opportunity Fund Inc.

Western Asset High Income Opportunity 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](http://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](http://www.lmcef.com) and (3) on the SEC's website at [www.sec.gov](http://www.sec.gov).

This report is transmitted to the shareholders of Western Asset High Income Opportunity 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

6201 15th Avenue

Brooklyn, NY 11219

**WASX010408 11/15 SR15-2631**

**Table of Contents**

**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 Eileen A. Kamerick, 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 that she is independent for purposes of this item.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

a) Audit Fees. The aggregate fees billed in the last two fiscal years ending September 30, 2014 and September 30, 2015 (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 \$43,300 in 2014 and \$52,500 in 2015.

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 High Income Opportunity Fund Inc.

(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 \$8,240 in 2014 and \$4,400 in 2015. These services consisted of (i) review or preparation of U.S. federal, state, local and excise tax returns; (ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments, and (iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held.

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

d) All Other Fees. 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 High Income Opportunity 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 High Income Opportunity 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.

**Table of Contents**

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 High Income Opportunity Fund Inc., the percentage of fees that were approved by the audit committee, with respect to: Audit-Related Fees were 100% and 100% for 2014 and 2015; Tax Fees were 100% and 100% for 2014 and 2015; and Other Fees were 100% and 100% for 2014 and 2015.

(f) N/A

(g) Non-audit fees billed by the Auditor for services rendered to Western Asset High Income Opportunity Fund Inc., LMPFA and any entity controlling, controlled by, or under common control with LMPFA that provides ongoing services to Western Asset High Income Opportunity Fund Inc. during the reporting period were \$0 in 2015.

(h) Yes. Western Asset High Income Opportunity 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 High Income Opportunity Fund Inc. or to Service Affiliates, which were required to be pre-approved, were pre-approved as required.

**Table of Contents**

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:

Robert D. Agdern (Effective January 1, 2015, Mr. Agdern became a member of the Audit Committee and the Board of Directors.)

William R. Hutchinson

Paolo M. Cucchi

Daniel P. Cronin

Carol L. Colman

Leslie H. Gelb

Eileen A. Kamerick

Dr. Riordan Roett

b) Not applicable

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES & 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.

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 ) and Western Asset Management Company Limited ( WAML ) (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

## Table of Contents

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 and WAML 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 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.

### Table of Contents

- 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.
- 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;

### Table of Contents

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 and the WAML 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.

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

## **Table of Contents**

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.

## **Table of Contents**

### 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.

## **Table of Contents**

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.

**Table of Contents****ITEM 8. INVESTMENT PROFESSIONALS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

<b>NAME AND ADDRESS</b>	<b>LENGTH OF TIME SERVED</b>	<b>PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS</b>
S. Kenneth Leech  Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2014	Responsible for the day-to-day management with other members of the Fund's portfolio management team; Chief Investment Officer of Western Asset from 1998 to 2008 and since 2014; Senior Advisor/Chief Investment Officer Emeritus of Western Asset from 2008-2013; Co- Chief Investment Officer of Western Asset from 2013-2014.
Christopher F. Kilpatrick  Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2012	Responsible for the day-to-day management with other members of the Fund's portfolio management team; employed by Western Asset Management as an investment professional for at least the past five years.
Michael C. Buchanan  Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2006	Responsible for the day-to-day management with other members of the Fund's portfolio management team; formerly, Managing Director and head of U.S. Credit Products from 2003-2005 at Credit Suisse Asset Management

**Table of Contents****(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, 2015.

**Other Accounts Managed by Investment Professionals**

The table below identifies the number of accounts (other than the fund) for which the fund's investment professionals 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.

<b>Name of PM</b>	<b>Type of Account</b>	<b>Number of Accounts Managed</b>	<b>Total Assets Managed</b>	<b>Number of Accounts Managed for which Advisory Fee is Performance -Based</b>	<b>Assets Managed for which Advisory Fee is Performance- Based</b>
S. Kenneth Leech	Other Registered Investment Companies	109	\$187.4 billion	None	None
	Other Pooled Vehicles	269	\$85.4 billion	8	\$1.6 billion
	Other Accounts	630	\$172.9 billion	57	\$17.1 billion
Michael C. Buchanan	Other Registered Investment Companies	43	\$39.1 billion	None	None
	Other Pooled Vehicles	75	\$35.1 billion	4	\$1.2 billion
	Other Accounts	187	\$50.4 billion	21	\$7.8 billion
Christopher Kilpatrick	Other Registered Investment Companies	9	\$3.1 billion	None	None
	Other Pooled Vehicles	None	None	None	None
	Other Accounts	None	None	None	None

*The numbers above reflect the overall number of portfolios managed by employees of Western Asset Management Company (Western Asset). Mr. Leech is involved in the management of all the Firm's portfolios, but*

## **Table of Contents**

*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:

*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

## **Table of Contents**

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

**Table of Contents**

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, 2015.

<b><u>Investment Professional(s)</u></b>	<b>Dollar Range of Portfolio Securities Beneficially Owned</b>
S. Kenneth Leech	A
Christopher Kilpatrick	A
Michael C. Buchanan	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

**Table of Contents**

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

**Table of Contents**

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 High Income Opportunity Fund  
Inc.

By: /s/ Jane Trust  
Jane Trust  
Chief Executive Officer

Date: November 24, 2015

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/ Jane Trust  
Jane Trust  
Chief Executive Officer

Date: November 24, 2015

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

Date: November 24, 2015