

HIGH INCOME OPPORTUNITY FUND INC
Form N-Q
August 29, 2006

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

FORM N-Q

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

Investment Company Act file number 811- 7920

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

125 Broad Street, New York,
(Address of principal executive offices)

NY 10004
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

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

Registrant's telephone number, including area code: 1-800-451-2010

Date of fiscal year end: September 30

Date of reporting period: June 30, 2006

HIGH INCOME OPPORTUNITY FUND INC.

FORM N-Q

June 30, 2006

ITEM 1. SCHEDULE OF INVESTMENTS

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited)

June 30, 2006

| Face Amount | Rating | Security | Value |
|------------------------------------|--------------|--|------------------|
| CORPORATE BONDS & NOTES | 94.6% | | |
| Aerospace & Defense | 0.9% | | |
| \$ 995,000 | B+ | Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16 | \$ 960,175 |
| | | DRS Technologies Inc., Senior Subordinated Notes : | |
| 850,000 | B+ | 6.625% due 2/1/16 | 826,625 |
| 1,750,000 | B | 7.625% due 2/1/18 | 1,750,000 |
| 1,460,000 | BB+ | L-3 Communications Corp., Senior Subordinated Notes, 5.875% due 1/15/15 | 1,368,750 |
| | | Total Aerospace & Defense | 4,905,550 |
| Airlines | 1.6% | | |
| 840,000 | B+ | American Airlines Inc., Pass-Through Certificates, Series 2001-02, Class C, 7.800% due 10/1/06 | 841,575 |
| | | Continental Airlines Inc., Pass-Through Certificates : | |
| 336,635 | B+ | Series 2000-2, Class C, 8.312% due 4/2/11 | 319,284 |
| 2,000,000 | B | Series 2001-2, Class D, 7.568% due 12/1/06 | 1,996,172 |
| | | United Airlines Inc., Pass-Through Certificates : | |
| 962,968 | NR | Series 2000-1, Class B, 8.030% due 7/1/11 (a) | 982,829 |
| 2,268,135 | NR | Series 2000-2, Class B, 7.811% due 10/1/09 (a) | 2,365,540 |
| | | Series 2001-1: | |
| 460,000 | NR | Class B, 6.932% due 9/1/11 (a) | 487,888 |
| 1,045,000 | NR | Class C, 6.831% due 9/1/08 (a) | 1,032,591 |
| | | Total Airlines | 8,025,879 |
| Auto Components | 1.4% | | |
| 695,000 | B | Arvin Capital I, Capital Securities, 9.500% due 2/1/27 | 705,425 |
| 1,225,000 | B- | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | 1,163,750 |
| 625,000 | B3(b) | Rexnord Corp., Senior Subordinated Notes, 10.125% due 12/15/12 | 692,087 |
| 1,000,000 | B | Tenneco Automotive Inc., Senior Secured Notes, Series B, 10.250% due 7/15/13 | 1,101,250 |
| | | TRW Automotive Inc.: | |
| 555,000 | BB- | Senior Notes, 9.375% due 2/15/13 | 592,463 |
| 276,000 | BB- | Senior Subordinated Notes, 11.000% due 2/15/13 | 302,910 |
| 2,745,000 | B- | Visteon Corp., Senior Notes, 8.250% due 8/1/10 | 2,580,300 |
| | | Total Auto Components | 7,138,185 |
| Automobiles | 2.1% | | |
| 8,190,000 | B+ | Ford Motor Co., Notes, 7.450% due 7/16/31 | 5,958,225 |
| | | General Motors Corp.: | |
| | | Senior Debentures: | |

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|-------------------------------|------|--|-------------------|
| 1,350,000 | B- | 8.250% due 7/15/23 | 1,069,875 |
| 2,720,000 | B- | 8.375% due 7/15/33 | 2,203,200 |
| 2,125,000 | B- | Senior Notes, 7.125% due 7/15/13 | 1,758,437 |
| | | Total Automobiles | 10,989,737 |
| Beverages 0.2% | | | |
| 875,000 | B | Cott Beverages USA Inc., Senior Subordinated Notes, 8.000% due 12/15/11 | 877,188 |
| Biotechnology 0.0% | | | |
| 190,000 | B | Angiotech Pharmaceuticals Inc., Senior Subordinated Notes, 7.750% due 4/1/14 (c) | 182,400 |
| Building Products 1.5% | | | |
| 4,950,000 | CCC | Associated Materials Inc.: Senior Discount Notes, step bond to yield 10.793% due 3/1/14 | 3,007,125 |
| 1,010,000 | CCC | Senior Subordinated Notes, 9.750% due 4/15/12 | 1,010,000 |
| 820,000 | B | Jacuzzi Brands Inc., Secured Notes, 9.625% due 7/1/10 | 870,225 |
| 2,885,000 | CCC+ | Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14 | 2,805,662 |

See Notes to Schedule of Investments.

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|--|--------|---|------------|
| Building Products 1.5% (continued) | | | |
| \$ 345,000 | CCC+ | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.040% due 3/1/14 | \$ 251,419 |
| | | Total Building Products | 7,944,431 |
| Capital Markets 0.7% | | | |
| 1,690,000 | B | BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14 | 1,842,100 |
| 115,000 | B+ | E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13 | 115,575 |
| 1,365,000 | B+ | 7.875% due 12/1/15 | 1,405,950 |
| | | Total Capital Markets | 3,363,625 |
| Chemicals 2.0% | | | |
| 1,020,000 | BB- | Airgas Inc., Senior Subordinated Notes, 9.125% due 10/1/11 | 1,072,275 |
| 2,400,000 | BB- | Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11 | 2,589,000 |
| 870,000 | B | Huntsman International LLC, Senior Notes, 9.875% due 3/1/09 | 909,150 |
| 1,745,000 | BB- | Lyondell Chemical Co., Senior Secured Notes, 11.125% due 7/15/12 | 1,902,050 |
| 700,000 | BBB- | Methanex Corp., Senior Notes, 8.750% due 8/15/12 | 755,125 |
| 2,870,000 | B- | Montell Finance Co. BV, 8.100% due 3/15/27 (c) | 2,611,700 |
| 545,000 | BB+ | Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16 | 506,169 |
| | | Total Chemicals | 10,345,469 |
| Commercial Services & Supplies 2.7% | | | |
| 2,250,000 | CCC+ | Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11 | 2,193,750 |
| 2,580,000 | BB- | Allied Waste North America Inc., Senior Notes, Series B, 8.500% due 12/1/08 | 2,683,200 |
| 1,600,000 | CCC+ | Brand Services Inc., Senior Notes, 12.000% due 10/15/12 | 1,812,000 |
| 1,000,000 | BB | IKON Office Solutions Inc., 7.750% due 9/15/15 | 995,000 |
| 1,970,000 | B- | NationsRent Inc., Senior Subordinated Notes, 9.500% due 5/1/15 | 2,093,125 |
| 1,050,000 | BB- | Quebecor World Capital Corp., Senior Notes, 8.750% due 3/15/16 (c) | 963,375 |
| 2,990,000 | BB- | Windstream Corp., Senior Notes, 8.625% due 8/1/16 (c) | 3,072,225 |
| | | Total Commercial Services & Supplies | 13,812,675 |
| Communications Equipment 1.3% | | | |
| 6,100,000 | B | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 | 5,215,500 |

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| | | | |
|---|----|---|-------------------|
| 1,950,000 | B- | Nortel Networks Corp., Notes, 6.875% due 9/1/23 | 1,569,750 |
| | | Total Communications Equipment | 6,785,250 |
| Computers & Peripherals 0.7% | | | |
| 775,000 | B- | SunGard Data Systems Inc.: Senior Notes, 9.125% due 8/15/13 (c) | 807,938 |
| 2,810,000 | B- | Senior Subordinated Notes, 10.250% due 8/15/15 (c) | 2,918,887 |
| | | Total Computers & Peripherals | 3,726,825 |
| Consumer Finance 3.8% | | | |
| | | Ford Motor Credit Co.: | |
| | | Notes: | |
| 925,000 | B+ | 7.875% due 6/15/10 | 854,003 |
| 1,140,000 | B+ | 7.000% due 10/1/13 | 982,454 |
| 1,038,488 | B+ | Senior Notes, 10.486% due 6/15/11 (c)(d) | 1,043,239 |
| | | General Motors Acceptance Corp.: | |
| 13,010,000 | BB | Bonds, 8.000% due 11/1/31 | 12,537,555 |
| 4,660,000 | BB | Notes, 6.875% due 8/28/12 | 4,395,867 |
| | | Total Consumer Finance | 19,813,118 |
| Containers & Packaging 3.4% | | | |
| 1,375,000 | B- | Berry Plastics Corp., Senior Subordinated Notes, 10.750% due 7/15/12 | 1,495,312 |
| | | <i>See Notes to Schedule of Investments.</i> | |

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|--|--------|---|-------------------|
| Containers & Packaging 3.4% (continued) | | | |
| \$ 1,265,000 | CCC+ | Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14 | \$ 1,258,675 |
| 2,755,000 | B- | Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13 | 2,741,225 |
| 1,875,000 | B- | JSG Funding PLC, Senior Notes, 9.625% due 10/1/12 | 1,940,625 |
| 1,575,000 | B | Owens-Brockway Glass Container Inc.: Senior Notes, 6.750% due 12/1/14 | 1,468,688 |
| 2,820,000 | BB- | Senior Secured Notes, 8.875% due 2/15/09 | 2,918,700 |
| 955,000 | B | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (c) | 959,775 |
| 425,000 | NR | Pliant Corp., Senior Secured Second Lien Notes, 11.125% due 9/1/09 (a) | 450,500 |
| 725,000 | CC | Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10 | 286,375 |
| 1,550,000 | BBB | Sealed Air Corp., Notes, 6.950% due 5/15/09 (c) | 1,594,025 |
| 2,580,000 | CCC+ | Stone Container Finance Co. of Canada II, Senior Notes, 7.375% due 7/15/14 | 2,296,200 |
| | | Total Containers & Packaging | 17,410,100 |
| Diversified Consumer Services 1.6% | | | |
| 1,255,000 | CCC+ | Education Management LLC/Education Management Corp., Senior Notes, 8.750% due 6/1/14 (c) | 1,248,725 |
| 725,000 | B | Hertz Corp.: Senior Notes, 8.875% due 1/1/14 (c) | 746,750 |
| 3,885,000 | B | Senior Subordinated Notes, 10.500% due 1/1/16 (c) | 4,137,525 |
| 1,225,000 | BB | Service Corp. International: Debentures, 7.875% due 2/1/13 | 1,241,844 |
| 1,115,000 | BB | Senior Notes, 6.500% due 3/15/08 | 1,112,212 |
| | | Total Diversified Consumer Services | 8,487,056 |
| Diversified Financial Services 3.1% | | | |
| 3,008,000 | A- | Alamosa Delaware Inc.: Senior Discount Notes, 12.000% due 7/31/09 | 3,203,520 |
| 568,000 | A- | Senior Notes, 11.000% due 7/31/10 | 624,800 |
| 435,000 | BB- | Case Credit Corp., Notes, 6.750% due 10/21/07 | 436,088 |
| 1,150,000 | CCC+ | CCM Merger Inc., Notes, 8.000% due 8/1/13 (c) | 1,092,500 |
| 220,000 | CCC+ | Citisteel USA Inc., Senior Secured Notes: 12.490% due 9/1/10 (d) | 228,250 |
| 510,000 | NR | 15.000% due 10/1/10 (c)(e) | 510,000 |
| 1,199,000 | B- | Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12 | 1,269,441 |
| 2,155,000 | B+ | H&E Equipment Services LLC/H&E Finance Corp., Senior Notes, 11.125% due 6/15/12 | 2,379,766 |
| 670,000 | B | | 681,725 |

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|--|------|---|-------------------|
| | | Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, Second Priority, Senior Secured Notes, 9.000% due 7/15/14 | |
| 1,045,000 | B- | Hughes Network Systems LLC/HNS Finance Corp., Senior Notes, 9.500% due 4/15/14 (c) | 1,029,325 |
| 500,000 | CCC | Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11 | 466,250 |
| 1,225,000 | B- | Nell AF SARL, Senior Notes, 8.375% due 8/15/15 (c) | 1,183,656 |
| 170,000 | B- | UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12 | 180,200 |
| 2,645,000 | B- | UGS Corp., 10.000% due 6/1/12 | 2,856,600 |
| | | Total Diversified Financial Services | 16,142,121 |
| Diversified Telecommunication Services 6.0% | | | |
| 1,780,000 | B- | Cincinnati Bell Inc.: 7.000% due 2/15/15 | 1,686,550 |
| 175,000 | B- | Senior Subordinated Notes, 8.375% due 1/15/14 | 173,250 |
| 1,610,000 | BB+ | Citizens Communications Co., Senior Notes, 9.000% due 8/15/31 | 1,638,175 |
| 1,555,000 | NR | GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10 (a)(f)(g) | 0 |
| 2,360,000 | CCC+ | Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15 | 2,483,900 |

See Notes to Schedule of Investments.

High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|--|--------|---|-------------------|
| Diversified Telecommunication Services 6.0% (continued) | | | |
| \$ 650,000 | B | Insight Midwest LP/Insight Capital Inc., Senior Notes, 10.500% due 11/1/10 | \$ 680,875 |
| 1,830,000 | B+ | Intelsat Bermuda Ltd., Senior Notes: 9.250% due 6/15/16 (c) | 1,898,625 |
| 3,665,000 | B | 11.250% due 6/15/16 (c) | 3,774,950 |
| 1,200,000 | B | Nordic Telephone Co. Holdings, Senior Notes, 8.875% due 5/1/16 (c) | 1,239,000 |
| 895,000 | B- | Northern Telecom Capital Corp., Notes, 7.875% due 6/15/26 | 738,375 |
| 400,000 | B- | NTL Cable PLC, Senior Notes, 8.750% due 4/15/14 | 399,000 |
| 720,000 | B | PanAmSat Corp., Senior Notes, 9.000% due 8/15/14 | 734,400 |
| | | Qwest Communications International Inc., Senior Notes: | |
| 205,000 | B | 7.500% due 2/15/14 | 200,900 |
| 590,000 | B | Series B, 7.500% due 2/15/14 | 578,200 |
| 4,640,000 | BB | Qwest Corp., Notes, 8.875% due 3/15/12 | 4,918,400 |
| 2,100,000 | A | Southwestern Bell Telephone Co., Debentures, 7.000% due 11/15/27 | 2,083,738 |
| 4,245,000 | B- | Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (c) | 3,608,250 |
| 4,195,000 | B- | Wind Acquisition Finance SA, 10.750% due 12/1/15 (c) | 4,478,162 |
| | | Total Diversified Telecommunication Services | 31,314,750 |
| Electric Utilities 1.0% | | | |
| 752,034 | B+ | Midwest Generation LLC, Pass-Through Certificates, Series B, 8.560% due 1/2/16 | 790,106 |
| 1,845,000 | B- | Mirant Americas Generation LLC, Senior Notes, 9.125% due 5/1/31 | 1,798,875 |
| 2,350,000 | B- | Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10 | 2,667,250 |
| | | Total Electric Utilities | 5,256,231 |
| Electrical Equipment 0.4% | | | |
| 2,060,000 | BBB- | Thomas & Betts Corp., Medium-Term Notes, 6.625% due 5/7/08 | 2,088,302 |
| Energy Equipment & Services 1.8% | | | |
| 2,655,000 | B+ | ANR Pipeline Co., Debentures, 9.625% due 11/1/21 | 3,109,923 |
| 573,000 | B- | Dresser-Rand Group Inc., Senior Subordinated Notes, 7.625% due 11/1/14 | 550,080 |
| 1,725,000 | B | Hanover Compressor Co., Senior Notes, 9.000% due 6/1/14 | 1,811,250 |
| 300,000 | BB- | Pride International Inc., Senior Notes, 7.375% due 7/15/14 | 303,000 |
| 3,270,000 | B+ | Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32 | 3,513,491 |

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|---|-------------|---|-----------|
| | | Total Energy Equipment & Services | 9,287,744 |
| Food & Staples Retailing | 0.3% | | |
| 1,535,000 | BB+ | Delhaize America Inc., 9.000% due 4/15/31 | 1,690,971 |
| Food Products | 0.9% | | |
| 230,000 | BB+ | Ahold Lease USA Inc., Pass-Through Certificates, Series 2001 A-2, 8.620% due 1/2/25 | 228,419 |
| 995,000 | BB- | Dean Foods Co., Senior Notes, 6.900% due 10/15/17 | 937,787 |
| 1,125,000 | B | Del Monte Corp., Senior Subordinated Notes, 8.625% due 12/15/12 | 1,164,375 |
| 2,025,000 | B | Dole Food Co. Inc., Senior Notes: 7.250% due 6/15/10 | 1,822,500 |
| 575,000 | B | 8.875% due 3/15/11 | 541,938 |
| | | Total Food Products | 4,695,019 |
| Health Care Providers & Services | 4.6% | | |
| 2,400,000 | B- | AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13 | 2,529,000 |
| 1,350,000 | B | Community Health Systems Inc., Senior Subordinated Notes, 6.500% due 12/15/12 | 1,287,562 |
| 1,200,000 | B | DaVita Inc.: Senior Notes, 6.625% due 3/15/13 | 1,146,000 |
| 1,640,000 | B | Senior Subordinated Notes, 7.250% due 3/15/15 | 1,582,600 |
| 105,000 | B+ | Extendicare Health Services Inc.: Senior Notes, 9.500% due 7/1/10 | 110,119 |
| | | <i>See Notes to Schedule of Investments.</i> | |

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|--|--------|--|-------------------|
| Health Care Providers & Services 4.6% (continued) | | | |
| \$ 1,000,000 | B | Senior Subordinated Notes, 6.875% due 5/1/14 HCA Inc.: | \$ 1,050,000 |
| 2,245,000 | BB+ | Debentures, 7.500% due 11/15/95 | 1,871,692 |
| 1,150,000 | BB+ | Notes: | |
| 1,210,000 | BB+ | 6.375% due 1/15/15 | 1,071,281 |
| 900,000 | BB+ | 7.690% due 6/15/25 | 1,149,487 |
| 2,675,000 | B- | 7.500% due 11/6/33 | 827,086 |
| 1,275,000 | BB+ | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 2,634,875 |
| 4,250,000 | B | Omnicare Inc., Senior Subordinated Notes, 6.875% due 12/15/15 | 1,217,625 |
| 3,520,000 | B | Tenet Healthcare Corp., Senior Notes: 7.375% due 2/1/13 | 3,899,375 |
| | B | 9.875% due 7/1/14 | 3,537,600 |
| | | Total Health Care Providers & Services | 23,914,302 |
| Hotels, Restaurants & Leisure 4.2% | | | |
| 1,325,000 | BB+ | Caesars Entertainment Inc., Senior Subordinated Notes, 8.875% due 9/15/08 | 1,394,563 |
| 1,450,000 | B- | Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13 | 1,460,875 |
| 2,625,000 | B- | Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14 | 2,506,875 |
| 275,000 | BB | Hilton Hotels Corp.: | |
| 1,360,000 | BB | Notes, 7.625% due 12/1/12 | 284,853 |
| 2,515,000 | B | Senior Notes, 7.950% due 4/15/07 | 1,385,500 |
| 1,040,000 | B | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 | 2,684,762 |
| 2,150,000 | B | Kerzner International Ltd., Senior Subordinated Notes, 6.750% due 10/1/15 | 1,090,700 |
| 700,000 | B+ | Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15 | 2,004,875 |
| 2,100,000 | BB | Mandalay Resort Group, Senior Subordinated, Debentures, 7.625% due 7/15/13 | 696,500 |
| 1,400,000 | B+ | MGM MIRAGE Inc., Senior Notes, 6.750% due 9/1/12 | 2,031,750 |
| 2,290,000 | B | Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15 | 1,326,500 |
| 200,000 | B+ | Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 (c) | 2,378,737 |
| 125,000 | B+ | River Rock Entertainment Authority, Senior Notes, 9.750% due 11/1/11 | 211,500 |
| 1,250,000 | BB+ | Scientific Games Corp., Senior Subordinated Notes, 6.250% due 12/15/12 | 117,500 |
| 800,000 | B+ | Starwood Hotels & Resorts Worldwide Inc., Senior Notes, 7.875% due 5/1/12 | 1,310,938 |
| | B+ | Station Casinos Inc., Senior Subordinated Notes, 6.875% due 3/1/16 | 750,000 |

| | | | |
|---------------------------|-------------|---|------------|
| | | Total Hotels, Restaurants & Leisure | 21,636,428 |
| Household Durables | 3.1% | | |
| 200,000 | BB+ | American Greetings Corp., Senior Notes, 7.375% due 6/1/16 | 202,000 |
| | | Beazer Homes USA Inc., Senior Notes: | |
| 190,000 | BB | 6.875% due 7/15/15 | 173,850 |
| 1,105,000 | BB | 8.125% due 6/15/16 (c) | 1,067,706 |
| 1,140,000 | BBB- | D.R. Horton Inc., Senior Notes, 8.000% due 2/1/09 | 1,186,021 |
| 2,000,000 | B- | Interface Inc., Senior Notes, 10.375% due 2/1/10 | 2,197,500 |
| | | K Hovnanian Enterprises Inc., Senior Notes: | |
| 2,440,000 | BB | 7.500% due 5/15/16 | 2,275,300 |
| 1,505,000 | BB | 8.625% due 1/15/17 | 1,501,237 |
| 1,350,000 | BB- | KB HOME, Senior Subordinated Notes, 9.500% due 2/15/11 | 1,412,437 |
| 665,000 | B- | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 | 679,963 |
| 725,000 | B- | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 10.830% due 9/1/12 | 590,875 |
| 1,715,000 | BB+ | Schuler Homes Inc., Senior Subordinated Notes, 10.500% due 7/15/11 | 1,806,801 |
| 2,225,000 | B | Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14 | 2,236,125 |

See Notes to Schedule of Investments.

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|--|--------|---|------------|
| Household Durables 3.1% (continued) | | | |
| \$ 735,000 | B+ | Standard Pacific Corp., Senior Subordinated Notes, 9.250% due 4/15/12 | \$ 734,081 |
| | | Total Household Durables | 16,063,896 |
| Household Products 0.5% | | | |
| 1,440,000 | CCC | Spectrum Brands Inc., Senior Subordinated Notes, 8.500% due 10/1/13 | 1,238,400 |
| 1,235,000 | B- | Visant Holding Corp., Senior Notes, 8.750% due 12/1/13 (c) | 1,197,950 |
| | | Total Household Products | 2,436,350 |
| Independent Power Producers & Energy Traders 3.7% | | | |
| 1,055,000 | NR | AES China Generating Co., Ltd., Class A, 8.250% due 6/26/10 | 1,044,494 |
| | | AES Corp.: | |
| | | Senior Notes: | |
| 3,855,000 | B | 9.500% due 6/1/09 | 4,105,575 |
| 820,000 | B | 8.875% due 2/15/11 | 865,100 |
| 40,000 | B | 7.750% due 3/1/14 | 40,400 |
| 470,000 | BB- | Senior Secured Notes, 9.000% due 5/15/15 (c) | 507,600 |
| 4,500,000 | B- | Dynegy Holdings Inc., Senior Debentures, 7.625% due 10/15/26 | 3,960,000 |
| | | Edison Mission Energy, Senior Notes: | |
| 800,000 | B+ | 7.730% due 6/15/09 | 812,000 |
| 295,000 | B+ | 7.500% due 6/15/13 (c) | 290,575 |
| 1,670,000 | B1(b) | 7.750% due 6/15/16 (c) | 1,649,125 |
| | | NRG Energy Inc., Senior Notes: | |
| 950,000 | B- | 7.250% due 2/1/14 | 928,625 |
| 5,160,000 | B- | 7.375% due 2/1/16 | 5,043,900 |
| | | Total Independent Power Producers & Energy Traders | 19,247,394 |
| Industrial Conglomerates 0.3% | | | |
| 1,235,000 | NR | Aqua-Chem Inc., Senior Subordinated Notes, 11.250% due 7/1/08 (f) | 1,111,500 |
| 650,000 | BB- | Sequa Corp., Senior Notes, 9.000% due 8/1/09 | 689,000 |
| | | Total Industrial Conglomerates | 1,800,500 |
| Insurance 0.8% | | | |
| 2,270,000 | BB | Crum & Forster Holdings Corp., Senior Notes, 10.375% due 6/15/13 | 2,321,075 |
| 1,680,000 | BB | Markel Capital Trust I, Capital Securities, Series B, 8.710% due 1/1/46 | 1,743,612 |
| | | Total Insurance | 4,064,687 |

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| | | | | |
|--------------------------------------|--------------|-----|--|------------------|
| Internet & Catalog Retail | 0.2% | | | |
| 785,000 | | B- | FTD Inc., Senior Subordinated Notes, 7.750% due 2/15/14 | 777,150 |
| IT Services | 0.3% | | | |
| 550,000 | | B | Iron Mountain Inc., Senior Subordinated Notes: 8.625% due 4/1/13 | 552,750 |
| 865,000 | | B | 6.625% due 1/1/16 | 782,825 |
| | | | Total IT Services | 1,335,575 |
| Machinery | 1.1% | | | |
| 175,000 | | BB- | Case New Holland Inc., Senior Notes, 9.250% due 8/1/11 | 185,063 |
| 205,000 | | B+ | Commercial Vehicle Group Inc., Senior Notes, 8.000% due 7/1/13 | 197,312 |
| 1,600,000 | | B- | Invensys PLC, Senior Notes, 9.875% due 3/15/11 (c) | 1,744,000 |
| 1,600,000 | | B | Mueller Group Inc., Senior Subordinated Notes, 10.000% due 5/1/12 | 1,728,000 |
| 1,400,000 | | B | Mueller Holdings Inc., Discount Notes, step bond to yield 14.984% due 4/15/14 | 1,183,000 |
| 767,000 | | B+ | Terex Corp., Senior Subordinated Notes, Series B, 10.375% due 4/1/11 | 814,937 |
| | | | Total Machinery | 5,852,312 |
| Media | 13.3% | | | |
| 1,860,000 | | B- | Affinion Group Inc., 10.125% due 10/15/13 (c) AMC Entertainment Inc.: | 1,878,600 |
| 675,000 | | B- | Senior Note, Series B, 8.625% due 8/15/12 | 696,938 |
| | | | <i>See Notes to Schedule of Investments.</i> | |

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|--------------------------------|--------|---|--------------|
| Media 13.3% (continued) | | | |
| \$ 2,675,000 | CCC+ | Senior Subordinated Notes, 11.000% due 2/1/16 | \$ 2,875,625 |
| 175,000 | B | Cadmus Communications Corp., Senior Subordinated Notes, 8.375% due 6/15/14 | 174,125 |
| 3,925,176 | B- | CanWest Media Inc., Senior Subordinated Notes, 8.000% due 9/15/12 | 3,905,550 |
| 1,960,000 | CCC- | CCH I Holdings LLC, Senior Accreting Notes, 13.500% due 1/15/14 | 1,313,200 |
| 5,823,000 | CCC- | CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15 | 5,124,240 |
| 940,000 | CCC- | CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 9/15/10 | 947,050 |
| 1,875,000 | B+ | CSC Holdings Inc.: Senior Debentures, 7.625% due 7/15/18 | 1,865,625 |
| 1,025,000 | B+ | Senior Notes: 7.875% due 12/15/07 | 1,040,375 |
| 760,000 | B+ | 7.250% due 4/15/12 (c) | 737,200 |
| 1,200,000 | B+ | Series B: 8.125% due 7/15/09 | 1,227,000 |
| 700,000 | B+ | 7.625% due 4/1/11 | 703,500 |
| 683,000 | B | Dex Media East LLC/Dex Media East Finance Co., Senior Notes, Series B, 12.125% due 11/15/12 | 770,083 |
| 1,416,000 | B | Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, Series B, 9.875% due 8/15/13 | 1,541,663 |
| 1,544,000 | BB- | DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes: 8.375% due 3/15/13 | 1,625,060 |
| 1,930,000 | BB- | 6.375% due 6/15/15 | 1,790,075 |
| 3,150,000 | BB- | EchoStar DBS Corp., Senior Notes: 6.625% due 10/1/14 | 2,968,875 |
| 2,340,000 | BB- | 7.125% due 2/1/16 (c) | 2,263,950 |
| 2,575,000 | BBB+ | Historic TW Inc., Senior Notes, 6.625% due 5/15/29 | 2,481,262 |
| 2,300,000 | CCC+ | Houghton Mifflin Co., Senior Discount Notes, step bond to yield 11.232% due 10/15/13 | 1,909,000 |
| 2,630,000 | CCC+ | Insight Communications Co. Inc., Senior Discount Notes, 12.250% due 2/15/11 | 2,787,800 |
| 1,655,000 | B- | Kabel Deutschland GMBH, Senior Notes, 10.625% due 7/1/14 (c) | 1,754,300 |
| 1,100,000 | B | Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15 | 1,023,000 |
| 100,000 | B- | LIN Television Corp., Series B, 6.500% due 5/15/13 | 91,750 |
| 2,110,000 | B- | LodgeNet Entertainment Corp., Senior Subordinated Notes, 9.500% due 6/15/13 | 2,257,700 |
| 3,075,000 | B-(h) | Mediacom Broadband LLC/Mediacom Broadband Corp., Senior Notes, 11.000% due 7/15/13 | 3,255,656 |
| 2,250,000 | CCC+ | Nexstar Finance Inc., Senior Subordinated Notes, 7.000% due 1/15/14 | 2,058,750 |

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| | | | |
|-----------|-----|---|-----------|
| 1,635,000 | B | Primedia Inc., Senior Notes, 8.875% due 5/15/11 | 1,577,775 |
| 1,060,000 | B | Quebecor Media Inc., Senior Notes, 7.750% due 3/15/16 (c) | 1,044,100 |
| | | R.H. Donnelley Corp.: | |
| | | Senior Discount Notes: | |
| 525,000 | B | Series A-1, 6.875% due 1/15/13 (c) | 485,625 |
| 950,000 | B | Series A-2, 6.875% due 1/15/13 (c) | 878,750 |
| 2,675,000 | B | Senior Notes, Series A-3, 8.875% due 1/15/16 (c) | 2,711,781 |
| 500,000 | B | R.H. Donnelley Finance Corp. I, Senior Subordinated Notes, 10.875% due 12/15/12 (c) | 551,250 |
| | | Radio One Inc., Senior Subordinated Notes: | |
| 1,325,000 | B | 6.375% due 2/15/13 | 1,219,000 |
| 1,235,000 | B | Series B, 8.875% due 7/1/11 | 1,285,944 |
| | | Rainbow National Services LLC: | |
| 2,540,000 | B+ | Senior Notes, 8.750% due 9/1/12 (c) | 2,679,700 |
| 450,000 | B+ | Senior Subordinated Debentures, 10.375% due 9/1/14 (c) | 500,625 |
| 1,935,000 | BB+ | Rogers Cable Inc., Senior Secured Second Priority Notes, 6.750% due 3/15/15 | 1,852,762 |

See Notes to Schedule of Investments.

High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|---|--------|---|-------------------|
| Media 13.3% (continued) | | | |
| \$ 2,795,000 | B | Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12 | \$ 2,850,900 |
| 365,000 | CCC | Vertis Inc., Senior Secured Second Lien Notes, 9.750% due 4/1/09 | 373,213 |
| | | Total Media | 69,079,377 |
| Metals & Mining 1.2% | | | |
| 2,075,000 | B+ | Aleris International Inc., Senior Secured Notes, 10.375% due 10/15/10 | 2,251,375 |
| 175,000 | B | Chaparral Steel Co., Senior Notes, 10.000% due 7/15/13 | 191,625 |
| 2,145,000 | B- | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 (c) | 2,359,500 |
| 1,295,000 | B- | RathGibson Inc., Senior Notes, 11.250% due 2/15/14 (c) | 1,340,325 |
| | | Total Metals & Mining | 6,142,825 |
| Multi-Utilities 0.1% | | | |
| 525,000 | BB+ | Avista Corp., Senior Notes, 9.750% due 6/1/08 | 558,288 |
| Multiline Retail 1.3% | | | |
| 2,177,000 | BBB- | J.C. Penney Co. Inc., Notes, 9.000% due 8/1/12 | 2,498,238 |
| 2,805,000 | B- | Neiman Marcus Group Inc., Senior Subordinated Notes, 10.375% due 10/15/15 (c) | 2,994,338 |
| 1,219,000 | B+ | Saks Inc., Notes, 9.875% due 10/1/11 | 1,310,425 |
| | | Total Multiline Retail | 6,803,001 |
| Office Electronics 0.4% | | | |
| 2,275,000 | B+ | Xerox Capital Trust I Exchange Capital Securities, 8.000% due 2/1/27 | 2,294,906 |
| Oil, Gas & Consumable Fuels 7.7% | | | |
| 1,130,000 | B- | Alpha Natural Resources LLC/Alpha Natural Resources Capital Corp., Senior Notes, 10.000% due 6/1/12 | 1,214,750 |
| 3,625,000 | BB | Chesapeake Energy Corp., Senior Notes: 6.625% due 1/15/16 | 3,389,375 |
| 1,600,000 | BB | 6.250% due 1/15/18 | 1,468,000 |
| 1,121,000 | BB- | Cimarex Energy Co., Senior Notes, 9.600% due 3/15/12 | 1,188,260 |
| 125,000 | BB- | Compagnie Generale de Geophysique SA: 7.500% due 5/15/15 | 122,813 |
| 345,000 | BB- | Senior Notes, 7.500% due 5/15/15 | 338,963 |
| 750,000 | B | El Paso Corp., Medium-Term Notes: 7.800% due 8/1/31 | 732,188 |
| 6,275,000 | B | 7.750% due 1/15/32 | 6,141,656 |

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| | | | |
|-----------|------|---|-----------|
| 1,500,000 | B- | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11 | 1,447,500 |
| 3,040,000 | CCC+ | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 (c) | 3,051,400 |
| 1,015,000 | BB+ | Kerr-McGee Corp., 6.950% due 7/1/24 | 1,025,347 |
| 940,000 | B- | Mariner Energy Inc., Senior Notes, 7.500% due 4/15/13 (c) | 909,450 |
| 735,000 | B+ | OMI Corp., Senior Notes, 7.625% due 12/1/13 | 736,837 |
| 1,260,000 | B- | Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13 (c) | 1,260,000 |
| 2,125,000 | B+ | Plains Exploration & Production Co., Senior Subordinated Notes, Series B, 8.750% due 7/1/12 | 2,236,562 |
| 60,000 | B+ | Pogo Producing Co., Senior Subordinated Notes: 7.875% due 5/1/13 (c) | 60,450 |
| 2,040,000 | B+ | 6.875% due 10/1/17 | 1,899,750 |
| 520,000 | B+ | Series B, 8.250% due 4/15/11 | 536,250 |
| 100,000 | BB- | SESI LLC, Senior Notes, 6.875% due 6/1/14 (c) | 96,750 |
| 700,000 | B | Swift Energy Co., Senior Subordinated Notes, 9.375% due 5/1/12 | 742,000 |
| 1,210,000 | A- | Vintage Petroleum Inc., Senior Notes, 8.250% due 5/1/12 | 1,280,406 |
| 1,125,000 | B | Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14 | 1,068,750 |
| | | Williams Cos. Inc.: | |
| | | Notes: | |
| 2,950,000 | BB- | 7.875% due 9/1/21 | 3,009,000 |
| 3,780,000 | BB- | 8.750% due 3/15/32 | 4,129,650 |

See Notes to Schedule of Investments.

High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|---|--------|--|-------------------|
| Oil, Gas & Consumable Fuels 7.7% (continued) | | | |
| \$ 1,825,000 | BB- | Senior Notes, 7.625% due 7/15/19 | \$ 1,861,500 |
| | | Total Oil, Gas & Consumable Fuels | 39,947,607 |
| Paper & Forest Products 2.2% | | | |
| 1,150,000 | B+ | Abitibi-Consolidated Inc., Debentures, 8.850% due 8/1/30 | 977,500 |
| 2,650,000 | B | Appleton Papers Inc., Senior Subordinated Notes, Series B, 9.750% due 6/15/14 | 2,689,750 |
| 2,300,000 | B+ | Bowater Inc., Debentures, 9.500% due 10/15/12 | 2,305,750 |
| 1,115,000 | B+ | Catalyst Paper Corp., Senior Notes, Series D, 8.625% due 6/15/11 | 1,092,700 |
| 1,005,000 | B+ | Domtar Inc., Notes, 5.375% due 12/1/13 | 819,075 |
| 2,705,000 | CCC+ | NewPage Corp., Senior Subordinated Notes, 12.000% due 5/1/13 | 2,813,200 |
| 510,000 | BB+ | P.H. Glatfelter, Senior Notes, 7.125% due 5/1/16 (c) | 505,980 |
| | | Total Paper & Forest Products | 11,203,955 |
| Personal Products 0.4% | | | |
| 2,150,000 | B | Playtex Products Inc., Senior Secured Notes, 8.000% due 3/1/11 | 2,236,000 |
| Pharmaceuticals 0.4% | | | |
| 1,980,000 | CCC | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 | 1,883,475 |
| Real Estate Investment Trusts (REITs) 0.9% | | | |
| 75,000 | BB- | Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15 | 75,937 |
| 2,920,000 | BB | Host Marriott LP, Senior Notes: Series I, 9.500% due 1/15/07 | 3,007,600 |
| 1,300,000 | BB | Series O, 6.375% due 3/15/15 | 1,228,500 |
| 425,000 | BB+ | Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.500% due 6/1/16 | 409,594 |
| | | Total Real Estate Investment Trusts (REITs) | 4,721,631 |
| Real Estate Management & Development 0.3% | | | |
| 1,430,000 | B | Kimball Hill Inc., Senior Subordinated Notes, 10.500% due 12/15/12 | 1,329,900 |
| Road & Rail 0.7% | | | |
| 1,240,000 | BB- | Avis Budget Car Rental LLC/Avis Budget Finance Inc., Senior Notes, 7.576% due 5/15/14 (c)(d) | 1,243,100 |
| 220,000 | B- | Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes: 10.250% due 6/15/07 | 227,700 |
| 2,115,000 | B- | 9.375% due 5/1/12 | 2,263,050 |

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| | | | |
|--|------|---|------------------|
| 70,000 | B- | 12.500% due 6/15/12 | 77,525 |
| | | Total Road & Rail | 3,811,375 |
| Semiconductors & Semiconductor Equipment 0.4% | | | |
| 241,000 | CCC | Amkor Technology Inc., Senior Subordinated Notes, 10.500% due 5/1/09 | 247,628 |
| 2,335,000 | B- | MagnaChip Semiconductor, Senior Subordinated Notes, 8.000% due 12/15/14 | 1,949,725 |
| | | Total Semiconductors & Semiconductor Equipment | 2,197,353 |
| Specialty Retail 2.0% | | | |
| 845,000 | B | Asbury Automotive Group Inc., Senior Subordinated Notes, 9.000% due 6/15/12 | 840,775 |
| | | AutoNation Inc., Senior Notes: | |
| 445,000 | BB+ | 7.045% due 4/15/13 (c)(d) | 445,000 |
| 560,000 | BB+ | 7.000% due 4/15/14 (c) | 554,400 |
| 600,000 | CCC | Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12 | 562,500 |
| 1,040,000 | B | Brookstone Co. Inc., Senior Notes, 12.000% due 10/15/12 (c) | 920,400 |
| 1,775,000 | CCC | Buffets Inc., Senior Subordinated Notes, 11.250% due 7/15/10 | 1,843,781 |
| 1,800,000 | BBB- | Gap Inc., Notes, 9.550% due 12/15/08 | 1,936,941 |
| 1,950,000 | CCC+ | Hines Nurseries Inc., Senior Notes, 10.250% due 10/1/11 | 1,881,750 |

See Notes to Schedule of Investments.

High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Face Amount | Rating | Security | Value |
|--|--------|--|--------------|
| Specialty Retail 2.0% (continued) | | | |
| \$ 1,390,000 | B- | Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13 | \$ 1,306,600 |
| | | Total Specialty Retail | 10,292,147 |
| Textiles, Apparel & Luxury Goods 1.2% | | | |
| 950,000 | B- | Levi Strauss & Co., Senior Notes: 9.750% due 1/15/15 | 954,750 |
| 1,600,000 | B- | 8.875% due 4/1/16 (c) | 1,536,000 |
| 1,250,000 | B | Russell Corp., Senior Notes, 9.250% due 5/1/10 | 1,314,062 |
| 3,350,000 | B- | Simmons Co., Senior Discount Notes, step bond to yield 10.002% due 12/15/14 | 2,244,500 |
| | | Total Textiles, Apparel & Luxury Goods | 6,049,312 |
| Thrifts & Mortgage Finance 1.1% | | | |
| 5,500,000 | CCC- | Ocwen Capital Trust I, Capital Securities, 10.875% due 8/1/27 | 5,802,500 |
| Trading Companies & Distributors 0.3% | | | |
| 1,490,000 | B- | Transdigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (c) | 1,490,000 |
| Wireless Telecommunication Services 4.5% | | | |
| 2,550,000 | A- | IWO Holdings Inc., Senior Secured Notes, 8.818% due 1/15/12 (d) | 2,652,000 |
| 2,825,000 | A | New Cingular Wireless Services Inc.: Notes, 8.125% due 5/1/12 | 3,112,362 |
| 4,425,000 | A | Senior Notes: 7.875% due 3/1/11 | 4,770,916 |
| 100,000 | A | 8.750% due 3/1/31 | 122,950 |
| 620,000 | B+ | Rogers Wireless Inc., Senior Subordinated Notes, 8.000% due 12/15/12 | 637,050 |
| 2,040,000 | CCC | Rural Cellular Corp., Senior Notes, 9.875% due 2/1/10 | 2,108,850 |
| 5,550,000 | A- | Sprint Capital Corp.: Notes, 8.750% due 3/15/32 | 6,711,848 |
| 3,250,000 | A- | Senior Notes, 6.875% due 11/15/28 | 3,283,410 |
| | | Total Wireless Telecommunication Services | 23,399,386 |
| | | TOTAL CORPORATE BONDS & NOTES (Cost \$482,940,408) | 490,654,258 |
| ASSET-BACKED SECURITY 0.0% | | | |
| Diversified Financial Services 0.0% | | | |
| 9,956,016 | D | Airplanes Pass-Through Trust, Subordinated Notes, Series D, 10.875% due 3/15/12 (a)(f)(g) (Cost \$10,759,483) | 0 |

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SOVEREIGN BOND 0.2%

Brazil 0.2%

| | | | |
|-----------|----|---|-----------|
| 1,000,000 | BB | Federative Republic of Brazil, Collective Action Securities, 8.000% due 1/15/18 (Cost \$1,041,575) | 1,055,000 |
|-----------|----|---|-----------|

LOAN PARTICIPATION 1.1%

United States 1.1%

| | | | |
|-----------|----|--|-----------|
| 5,500,000 | NR | UPC Broadband. Term Loan, 1.000% due 3/15/13 (Toronto Dominion) (Cost \$5,500,000) | 5,499,018 |
|-----------|----|--|-----------|

Shares

COMMON STOCKS 0.1%

CONSUMER DISCRETIONARY 0.0%

Household Durables 0.0%

| | | | |
|-----------|--|--|--------|
| 4,660,992 | | Home Interiors of Gifts Inc. (f)(g)* <i>See Notes to Schedule of Investments.</i> | 46,610 |
|-----------|--|--|--------|

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Shares | Security | Value |
|--|--|------------------|
| CONSUMER STAPLES 0.0% | | |
| Food Products 0.0% | | |
| 73,499 | Aurora Foods Inc. (f)(g)* | \$ 0 |
| FINANCIALS 0.0% | | |
| Diversified Financial Services 0.0% | | |
| 9,777 | Outsourcing Solutions Inc. (g)* | 41,553 |
| INFORMATION TECHNOLOGY 0.1% | | |
| Communications Equipment 0.1% | | |
| 12,427 | Motorola Inc. | 250,404 |
| Semiconductors & Semiconductor Equipment 0.0% | | |
| 1,372 | Freescall Semiconductor Inc., Class B Shares * | 40,337 |
| | TOTAL INFORMATION TECHNOLOGY | 290,741 |
| TELECOMMUNICATION SERVICES 0.0% | | |
| Diversified Telecommunication Services 0.0% | | |
| 3,736 | McLeodUSA Inc., Class A Shares (g)* | 0 |
| 20,125 | Pagemart Wireless (f)(g)* | 201 |
| | TOTAL TELECOMMUNICATION SERVICES | 201 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$7,384,183) | 379,105 |
| PREFERRED STOCKS 0.4% | | |
| CONSUMER DISCRETIONARY 0.3% | | |
| Automobiles 0.3% | | |
| 22,300 | Ford Motor Co., 7.400% | 357,692 |
| 17,100 | Ford Motor Co., 8.000% | 305,235 |
| 1,600 | Ford Motor Co., Series F, 7.550% | 24,976 |
| 900 | General Motors Corp., 7.250% | 15,534 |
| 31,700 | General Motors Corp., 7.500% | 560,456 |
| 10,100 | General Motors Corp., Senior Notes, 7.250% | 174,326 |
| 2,200 | General Motors Corp., Senior Notes, 7.375% | 38,346 |
| 400 | General Motors Corp., Senior Notes, 7.375% | 7,032 |
| | TOTAL CONSUMER DISCRETIONARY | 1,483,597 |
| ENERGY 0.1% | | |
| Oil, Gas & Consumable Fuels 0.1% | | |
| 2,181 | Chesapeake Energy Corp., 6.250% | 566,264 |
| FINANCIALS 0.0% | | |
| Diversified Financial Services 0.0% | | |
| 3,400 | Preferred Plus, Series FRD-1, 7.400% | 53,278 |
| 8,400 | Saturns, Series F 2003-5, 8.125% | 149,772 |
| | TOTAL FINANCIALS | 203,050 |

TOTAL PREFERRED STOCKS
 (Cost \$2,160,375) 2,252,911

CONVERTIBLE PREFERRED STOCKS 0.2%
TELECOMMUNICATION SERVICES 0.2%
Wireless Telecommunication Services 0.2%
 19,800

Crown Castle International Corp., 6.250% due 8/15/12
 (Cost \$584,350) 1,103,850

Warrants
WARRANTS(f)(g) 0.0%

| | | |
|-------|---|---|
| 1,705 | Cybernet Internet Services International Inc., Expires 7/1/09(c)* | 0 |
| 1,555 | GT Group Telecom Inc., Class B Shares, Expires 2/1/10(c)* | 0 |
| 1,185 | IWO Holdings Inc., Expires 1/15/11(c)* | 0 |
| 1,000 | Jazztel PLC, Expires 7/15/10(c)* | 0 |
| 1,765 | Merrill Corp., Class B Shares, Expires 5/1/09(c)* | 0 |

See Notes to Schedule of Investments.

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High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2006

| Warrants | Security | Value |
|---|--|-----------------------|
| WARRANTS (f)(g) 0.0% (continued) | | |
| 245 | Pliant Corp., Expires 6/1/10(c)* | \$ 3 |
| 6,975 | RSL Communications Ltd., Class A Shares, Expires 11/15/06* | 0 |
| 3,510 | Viasystems Group Inc., Expires 1/31/10* | 0 |
| | TOTAL WARRANTS | |
| | (Cost \$644,503) | 3 |
| | TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT | |
| | (Cost \$511,014,877) | 500,944,145 |
| | | |
| Face | | |
| Amount | | |
| SHORT-TERM INVESTMENT 2.6% | | |
| Repurchase Agreement 2.6% | | |
| \$ 13,554,000 | Merrill Lynch, Pierce, Fenner & Smith Inc. repurchase agreement dated 6/30/06, 5.150% due 7/3/06; Proceeds at maturity - \$13,559,817; (Fully collateralized by U.S. government agency obligation, 0.000% due 6/1/17; Market value - \$13,825,203) | |
| | (Cost \$13,554,000) | 13,554,000 |
| | TOTAL INVESTMENTS 99.2% (Cost \$524,568,877#) | 514,498,145 |
| | Other Assets in Excess of Liabilities 0.8% | 4,049,941 |
| | TOTAL NET ASSETS 100.0% | \$ 518,548,086 |

* Non-income producing security.

All ratings are by Standard & Poor's Ratings Service, unless otherwise noted.

(a) Security is currently in default.

(b) Rating by Moody's Investors Service.

(c) 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.

(d) Variable rate security. Interest rate disclosed is that which is in effect at June 30, 2006.

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

(f) Illiquid security.

(g) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).

(h) Rating by Fitch Ratings Service.

Aggregate cost for federal income tax purposes is substantially the same.

See pages 13 and 14 for definitions of ratings.

See Notes to Schedule of Investments.

Bond Ratings (unaudited)

The definitions of the applicable rating symbols are set forth below:

Standard & Poor's Ratings Service (Standard & Poor's) Ratings from AA to CCC may be modified by the addition of a plus (+) or minus () sign to show relative standings within the major rating categories.

- AAA Bonds rated AAA have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.
- AA Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
- A Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
- BBB Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
- BB, B, CCC, CC and C Bonds rated BB, B, CCC, CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
- D Bonds rated D are in default and payment of interest and/or repayment of principal is in arrears.

Moody's Investors Service (Moody's) Numerical modifiers 1, 2 and 3 may be applied to each generic rating from Aa to Caa, where 1 is the highest and 3 the lowest ranking within its generic category.

- Aaa Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as gilt edge. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
- Aa Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.
- A Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
- Baa Bonds rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and therefore

Bond Ratings (unaudited)(continued)

not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

- B** Bonds rated **B** generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
- Caa** Bonds rated **Caa** are of poor standing. These may be in default, or present elements of danger may exist with respect to principal or interest.
- Ca** Bonds rated **Ca** represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.
- C** Bonds rated **C** are the lowest class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Fitch Ratings Service (Fitch) Ratings from **AA** to **CCC** may be modified by the addition of a plus (+) or minus () sign to show relative standings within the major rating categories.

- AAA** Bonds rated **AAA** have the highest rating assigned by Fitch. Capacity to pay interest and repay principal is extremely strong.
- AA** Bonds rated **AA** have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
- A** Bonds rated **A** have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
- BBB** Bonds rated **BBB** are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
- BB, B, CCC and CC** Bonds rated **BB** , **B** , **CCC** and **CC** are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. **BB** represents a lower degree of speculation than **B** , and **CC** the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
- NR** Indicates that the bond is not rated by Standard & Poor s, Moody s, or Fitch.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

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

(a) Investment Valuation. Debt securities are valued at the mean between the bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund may value these investments at fair value as determined in accordance with the procedures approved by the Fund 's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates market value.

(b) Repurchase Agreements. When entering into repurchase agreements, it is the Fund 's policy that its custodian or a third party custodian take possession of the underlying collateral securities, the market value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) 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 relating to the loan, nor any rights of set-off 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 set-off between the lender and the borrower.

(d) Credit and Market Risk. The Fund invests in high yield instruments that are subject to certain credit and market risks. The yields of high yield obligations reflect, among other things, perceived credit and market risks. The Fund 's investment in securities rated below investment grade typically involves risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading.

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

2. Investments

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At June 30, 2006, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | | | |
|-------------------------------|----|--------------|---|
| Gross unrealized appreciation | \$ | 22,939,623 | |
| Gross unrealized depreciation | | (33,010,355) |) |
| Net unrealized depreciation | \$ | (10,070,732) |) |

At June 30, 2006, the Fund held loan participations with a total cost of \$5,500,000 and a total market value of \$5,499,018.

ITEM 2. CONTROLS AND PROCEDURES.

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

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

ITEM 3. EXHIBITS.

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

SIGNATURES

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

High Income Opportunity Fund Inc.

By /s/ R. Jay Gerken
R. Jay Gerken

Chief Executive Officer

Date August 29, 2006

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

By /s/ R. Jay Gerken
R. Jay Gerken

Chief Executive Officer

Date August 29, 2006

By /s/ Robert J. Brault
Robert J. Brault

Chief Financial Officer

Date August 29, 2006